

# MUTUAL DEVELOPMENT AND COOPERATION ACT OF 1973

REPORT  
OF THE  
COMMITTEE ON FOREIGN AFFAIRS  
TOGETHER WITH  
MINORITY AND ADDITIONAL VIEWS

ON

**H.R. 9360**

TO AMEND THE FOREIGN ASSISTANCE ACT  
OF 1961, AND FOR OTHER PURPOSES,  
TOGETHER WITH MINORITY VIEWS



JULY 20, 1973

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the State of the Union and ordered to be printed

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93 <sup>D</sup> CONGRESS 1st Session	}	HOUSE OF REPRESENTATIVES	}	REPORT No. 93-388
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MUTUAL DEVELOPMENT AND COOPERATION ACT  
OF 1973

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JULY 20, 1973.—Committed to the Committee of the Whole House on the  
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Mr. MORGAN, from the Committee on Foreign Affairs, submitted  
the following

REPORT  
together with  
MINORITY AND ADDITIONAL VIEWS

[To accompany H.R. 9360]

The Committee on Foreign Affairs, to whom was referred the bill  
(H.R. 9360) to amend the Foreign Assistance Act of 1961, and for  
other purposes, having considered the same, report favorably thereon  
without amendment and recommend that the bill do pass.

### COMMITTEE ACTION

On May 2, 1973, the President sent to the Congress a foreign aid message—House Document 92-95—accompanied by a draft bill. Chairman Thomas E. Morgan, by request, introduced the bill in the House of Representatives on May 3, 1973, as H.R. 7484.

The measure submitted by the administration called for authorizations for each of fiscal years 1974 and 1975. The only major legislative changes requested were for a new chapter to establish an international military education and training program, and for a new part creating a humanitarian relief and reconstruction assistance program in Indochina.

The committee opened its hearings on H.R. 7484 on May 15. Subsequently, on May 30, legislation was introduced in the House cosponsored by a bipartisan group of 26 committee members. That measure, H.R. 8258, provided for a major restructuring of the U.S. bilateral economic assistance program.

In the following days, committee hearings were continued on both H.R. 7484 and H.R. 8258, terminating on June 13.

In the markup sessions which began on June 19, the committee read H.R. 7484 for amendment. The provisions of H.R. 8258 were then adopted as a series of amendments to the administration's requested legislation, along with other amendments.

Upon conclusion of the markup sessions, Chairman Morgan introduced H.R. 9360 on July 18. This bill included adjustments in the authorization levels recommended by the committee as well as many substantive changes in the existing law. On July 19, the committee reported the bill favorably by a vote of 31 to 9.

(VII)

## PURPOSES OF THE BILL

### *Restructuring economic assistance*

A principal purpose of H.R. 9360 is a major restructuring of U.S. bilateral economic assistance programs.

On April 10, 1973, 16 members of the committee wrote to the President expressing the belief that "the time has come to put an end to foreign aid as it has been conceived and administered in the past." The letter went on to set down principles on which future programs should be based.

When the administration's bill failed to reflect any changes, members who had coauthored the letter, together with other committee members, met on a number of occasions to work out new draft legislation for bilateral economic assistance.

On May 30, that legislation was introduced, cosponsored by a bipartisan group of 26 committee members. The administration subsequently endorsed the proposal, with suggested changes. After most of those changes were incorporated in the new legislation, the proposal was adopted during markup as a series of amendments to H.R. 7484.

In order to reform and reinvigorate U.S. economic assistance to developing nations the bill would:

#### **1. Focus bilateral development assistance on acute problem areas and encourage the developing countries to allow the poorest people to participate more effectively in the development process.**

The now much diminished U.S. bilateral aid would be concentrated on development problem-solving with less emphasis on general purpose resource transfers. The most common and pervasive development problems in the poor countries would receive primary emphasis: food, rural development, and nutrition; population growth and health; and education and human resources development. Funds are allocated according to these categories in the new bill. Projects would be selected which most directly benefit the poorest majority of the people in these countries and which enable them to participate more effectively in the development process.

#### **2. Create a new Export Development Credit Fund to expand U.S. exports to the poorest countries with the further aim of providing additional resources for the economic development of those countries on appropriate terms without increasing U.S. budgetary outlays.**

The bill proposes the establishment of a new Export Development Credit Fund which would make credit available for exports of development related goods and services to the lowest income countries on terms that would (1) enable U.S. exporters to compete, and (2) be easier for these countries. It would increase U.S. exports thereby creating an estimated 80,000 new U.S. jobs, and at the same time would transfer to developing countries resources needed for their development on more realistic and businesslike terms than those involved in traditional development lending.

The fund would be authorized to operate at a level of about \$1 billion per year for 5 years. As with the Export-Import Bank, it would be financed by public debt authority. Receipts from past aid loans would cover the difference between the soft terms charged by the fund and the relatively harder terms on which the fund borrowed.

**3. Improve coordination of all U.S. activities that bear on development, including trade, financial policy, and development aid.**

Recognizing that U.S. interest in development is affected by many U.S. Government actions, the bill would give the Administrator of the Mutual Development and Cooperation Agency a major role in (a) coordinating multilateral and bilateral development assistance programs, and (b) advising U.S. Government agencies on the impact of their actions on development. To that end, a Development Coordination Committee would be established, chaired by the Administrator and composed of officials from the affected agencies.

**4. Change the title of the Foreign Assistance Act to the "Mutual Development and Cooperation Act" and the name of the Agency for International Development to the "Mutual Development and Cooperation Agency."**

These proposed new names reflect the emerging view that this country has a direct self-interest in the development of the low income countries. These countries constitute the overwhelming majority of the nations and people of the world and their development affects the functioning of the world's cooperative systems in such fields as trade, monetary affairs, and investment.

The United States depends on those systems, and therefore wants the low income countries to become successful participants which are both able and inclined to support those systems. The term "Mutual Development and Cooperation" describes this emerging interdependent relationship better than AID.

The proposed new name for the Agency also symbolizes a cooperative style of working with the developing countries. Increasingly, these countries are able to design and implement their own development programs. The bill calls for greater reliance on the plans of host countries rather than on plans designed by U.S. officials. In administering the program, the Agency would make maximum use of private commercial channels and private educational, cooperative, and voluntary institutions.

Detailed elaboration of all the reforms included in the bill may be found in the section-by-section analysis of the legislation.

***Other principal provisions of the bill***

H.R. 9360 also authorizes appropriations described in the last section of this part and proposes a number of substantive changes in the law, among which are the following:

- (1) Increases by \$100 million the amount of worldwide housing guarantee authority, and extends the program two additional years;
- (2) Extends the investment insurance and guarantee authority of the Overseas Private Investment Corporation for one additional year, to June 30, 1975;



(3) Requires the President actively to seek the creation of independent audit groups within the United Nations and affiliated organizations, the World Bank and the Asian Development Bank;

(4) Provides a continuing authorization for appropriations for disaster relief assistance in the case of extraordinary and sizable disasters;

(5) Requires quarterly and semiannual Presidential reports to Congress on all aspects of U.S. international narcotics control programs and activities;

(6) Requires all military assistance to Laos and South Vietnam to be authorized under the Mutual Development and Cooperation Act of 1973—rather than the Department of Defense budget—after June 30, 1974;

(7) Establishes a separate program of international military education and training;

(8) Repeals section 620(e) of the act regarding foreign expropriation of American property, known as the "Hickenlooper amendment"; and

(9) Repeals provisions of the act, the Foreign Military Sales Act, and the Fishermen's Protective Act of 1967, as amended, which relate to the seizure of U.S. fishing vessels.

#### Authorizing appropriations

In addition, H.R. 9360 authorizes the appropriation of funds to permit foreign assistance programs to continue through June 30, 1975.

The following table compares the amounts appropriated in fiscal year 1973 with the amounts requested by the executive branch and recommended by the committee for fiscal years 1974 and 1975.

Program	Fiscal year 1973 appropriation, Public Law 92-571	Executive request		Committee recommendations as restructured by H.R. 9360	
		Fiscal year 1974	Fiscal year 1975	Fiscal year 1974	Fiscal year 1975
<b>Economic:</b>					
Development loans.....	\$250,000,000	\$201,400,000	\$201,400,000		
Technical cooperation and develop- ment grants.....	155,000,000	165,650,000	165,650,000		
Alliance for Progress.....	227,500,000	236,100,000	236,100,000		
Loans.....	(150,000,000)	(150,000,000)	(150,000,000)		
Grants.....	(77,500,000)	(86,100,000)	(86,100,000)		
Population programs.....	100,000,000	116,000,000	116,000,000		
Reform provisions:					
Food and nutrition.....				\$300,000,000	\$300,000,000
Population planning and health.....				150,000,000	150,000,000
Education and human resources.....				115,000,000	115,000,000
Selected development problems.....				93,000,000	93,000,000
Selected countries and organi- zations.....				60,000,000	60,000,000
American schools and hospitals abroad.....	25,500,000	10,000,000	10,000,000	* 20,000,000	* 20,000,000
Partners of the Alliance.....				968,000	968,000
International organizations.....	105,000,000	124,800,000	(*)	127,800,000	(*)
Indus Basin:					
Loans.....	12,000,000	(*)	(*)	(*)	(*)
Grants.....	10,000,000	15,000,000	15,000,000	15,000,000	15,000,000
Arab refugees.....				2,000,000	2,000,000
Contingency fund.....	25,000,000	30,000,000	30,000,000	30,000,000	30,000,000
Narcotics control.....		42,500,000	(*)	50,000,000	50,000,000
Administrative expenses:					
AID.....	53,100,000	53,100,000	53,100,000	53,100,000	53,100,000
State.....	4,221,000	(*)	(*)	(*)	(*)
Bangladesh relief.....	100,000,000				
OPEC reserves.....	12,500,000				
African famine relief.....				30,000,000	
<b>Subtotal.....</b>	<b>1,076,721,000</b>	<b>994,550,000</b>	<b>827,250,000</b>	<b>1,046,868,000</b>	<b>889,068,000</b>

See footnotes at end of table p. 4.

Program	Fiscal year 1973 appropriation, Public Law 92-571 <sup>1</sup>	Executive request		Committee recommendations as restructured by H.R. 9360	
		Fiscal year 1974	Fiscal year 1975	Fiscal year 1974	Fiscal year 1975
Indochina postwar reconstruction Vietnam, Cambodia, Laos).....		632,000,000		632,000,000	
Military:					
Grant military assistance.....	550,600,000	652,000,000		550,000,000	
Regional naval training.....	2,500,000				
Security supporting assistance.....	600,000,000	100,000,000		125,000,000	
Israel.....				(50,000,000)	
Foreign military credit sales.....	400,000,000	525,000,000		450,000,000	
International military education and training.....		\$ 33,000,000		30,000,000	
Subtotal.....	1,553,100,000	1,310,000,000		1,155,000,000	
Total.....	2,629,821,000	2,936,550,000	827,250,000	2,833,868,000	889,068,000

<sup>1</sup> No authorization bill was enacted into law for fiscal year 1973 for security supporting assistance, refugee relief (Bangladesh), military assistance grants, and foreign military credit sales. The appropriations for both economic and military assistance for fiscal year 1973 were enacted in Public Law 92-571, making continuing appropriations for the period ending Feb. 28, 1973, which was extended to June 30, 1973, by Public Law 93-9.

<sup>2</sup> The Executive failed to request an authorization of appropriations for population programs. In fiscal year 1973 funds were appropriated for population programs on the basis of an earmarking provision—not an authorization—in the law. In marking up the bill the committee included this amount in the authorization. An authorization would have been necessary in any case and thus is included as part of the Executive's request in this table.

<sup>3</sup> Plus \$7,000,000 in excess foreign currencies.

<sup>4</sup> Open-ended authorization for fiscal year 1975.

<sup>5</sup> \$51,220,000 was authorized in the Foreign Assistance Act of 1967 for this purpose. \$2,200,000 is the level of the fiscal year 1974 appropriation request.

<sup>6</sup> Permanent authorization in existing law of such amounts as may be necessary.

<sup>7</sup> The second supplemental appropriation for fiscal year 1973 (P.L. 93-50) provided \$300,000 for additional costs.

<sup>8</sup> The Executive authorization request was open-ended but it was planned to request \$33,000,000 in appropriations.

<sup>9</sup> Includes the amount specified in footnote 8.

### COMMITTEE COMMENT

After 25 years of foreign assistance—a period of much success and some failures—the time has come to take a new approach in our foreign aid programs.

This bill provides that new approach.

It springs from a congressional initiative, including ideas of some Members who have served in Congress virtually since the first dollar was spent on European restoration.

As a result of those past programs, Europe was strengthened as a bulwark against the westward expansion of Soviet communism.

Moreover, during the last decade, many developing nations assisted by the United States enjoyed more rapid economic growth than the developed countries did at any comparable period in their history.

Their economies grew at an average rate of 5.6 percent. Manufacturing output increased by 90 percent. Food production rose by one-third.

The gains of the past 10 years, however, have not been adequately or equitably distributed to the poor majority in those countries.

In some cases, gains have been overwhelmed by excessive population growth.

Per capita food production is only slightly higher today than it was a decade ago and mass famine threatens in several regions.

Rudimentary health care is unavailable to the vast majority of peoples.

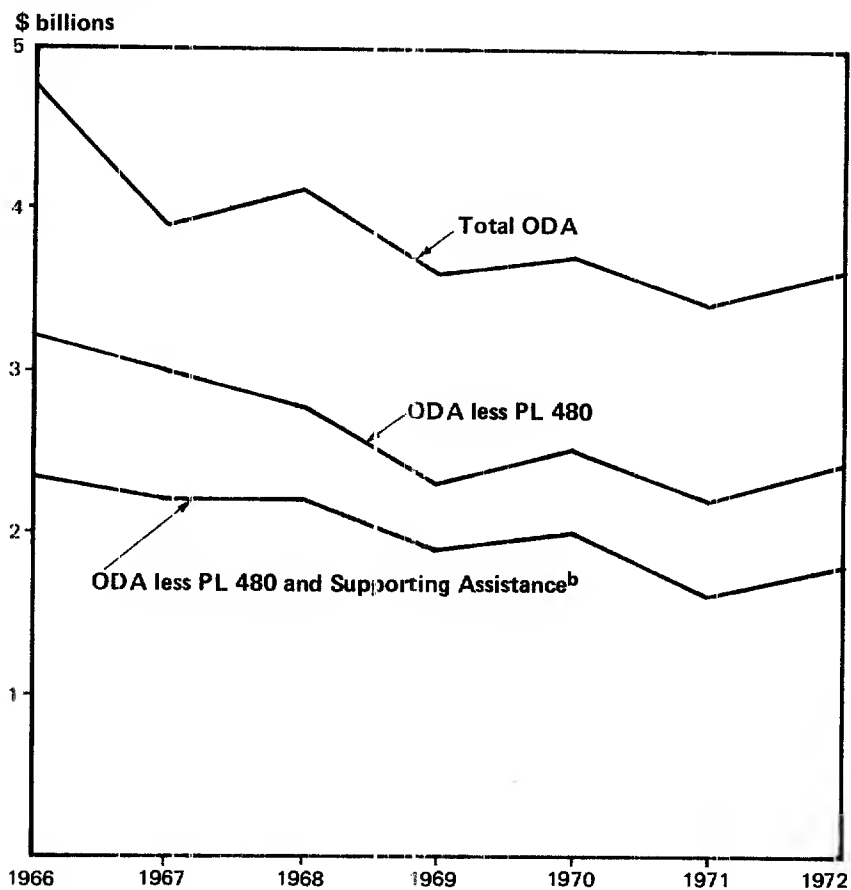
Unemployment and underemployment rates of 30 percent, worse than the depths of the 1930's depression in the United States, are being experienced.

There are no schools or teachers for 300 million children, more than the number 10 years ago.

One million people a week are born into the vicious circle of poverty which plagues most developing countries.

While the dimensions of the problem have grown, the U.S. contribution to development assistance abroad has declined, both in real terms and as a percentage of our gross national product. (See the following charts.)

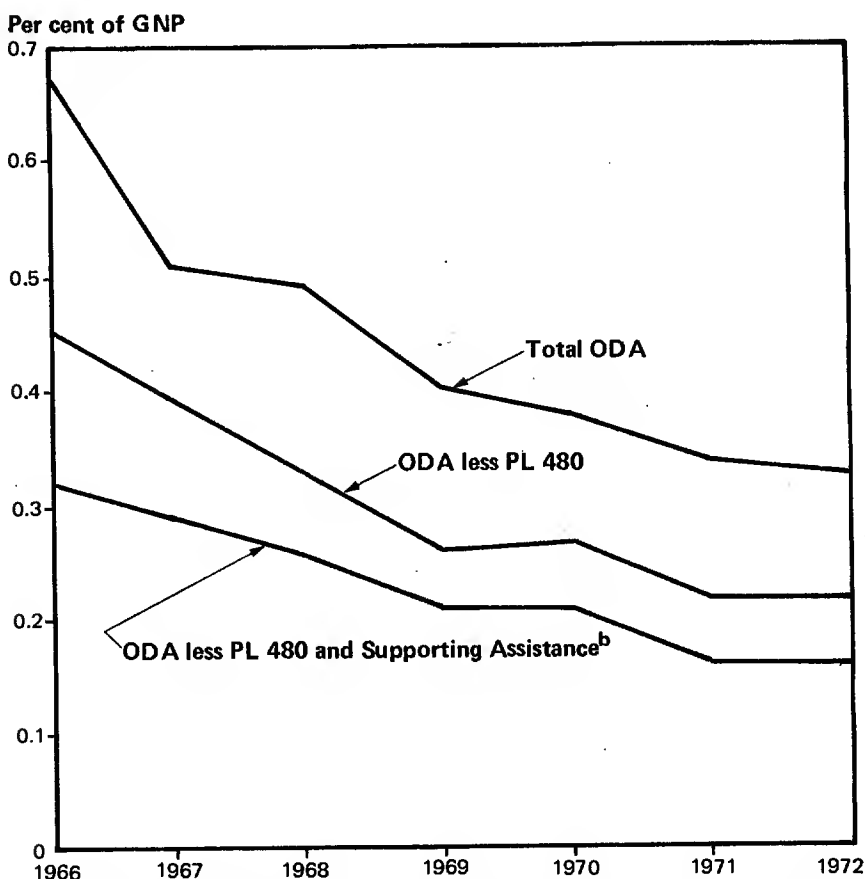
**U.S. Official Development Assistance (ODA) Commitments,  
FYs 1966-1972**



<sup>b</sup>Includes AID programs (less Supporting Assistance), contributions to international financial institutions, Peace Corps, and Social Progress Trust Fund.

SOURCES: Data for FY 1966-1971 from Office of Statistics and Reports, U.S. Agency for International Development, *U.S. Overseas Loans and Grants*, May 1972; provisional figures for 1972 from Bureau for Program and Policy Coordination, U.S. Agency for International Development.

**U.S. Official Development Assistance (ODA) Commitments as a Percentage of U.S. GNP, FYs 1966-1972**



<sup>b</sup>Includes AID programs (less Supporting Assistance), contributions to international financial institutions, Peace Corps, and Social Progress Trust Fund.

SOURCES: Data for FY 1966-1971 from Office of Statistics and Reports, U.S. Agency for International Development.

This decrease has resulted in large measure from disillusionment in Congress over seeming lack of effect of past foreign assistance.

The financial situation of the United States is also of concern. In recent years, the Nation has experienced a chronic balance-of-payments deficit, an adverse balance of trade, and two devaluations of the dollar.

Yet foreign assistance is responsible for none of those conditions, and the long-range interests which made it a good idea in the past remain.

As a nation which consumes 40 percent of the world's annual output of raw materials and energy, the United States needs access to the

resources of the developing nations which occupy 60 percent of the land surface and control large untapped resources.

As a nation seeking to expand its trade, the United States is finding the developing nations increasingly important markets for U.S. goods and investment.

As a nation whose interests are linked with the maintenance of world peace, the United States has a clear stake in preventing the tumult and unrest from social disintegration in poor countries.

As a nation which seeks international solutions of problems of narcotics control, terrorism, and environmental pollution, the United States needs the cooperation of the developing countries.

To these practical interests must, of course, be added the moral dimension. We give foreign assistance, as the President has said, because it is right.

We Americans annually spend six times what we allot for foreign assistance on cigarettes and other tobacco products.

We spend three times as much for toys and sports supplies; three times as much for toilet articles and perfumes.

We spend twice as much for jewelry and watches.

Surely, our consumption-oriented society can spare something for fellow human beings who have virtually nothing.

At the same time, experience and America's limited resources as compared to the gargantuan world needs, dictate new approaches:

Our assistance must be concentrated on the most urgent problems of the poorest majority in the developing countries.

We must share our expertise and problem-solving know-how rather than making large-scale capital transfers to the countries.

We must move away from government bureaucracies, both in our own and the developing countries, and toward greater involvement of the private sector.

That is the purpose of this reform legislation, H.R. 9360.

Today, while it is fashionable to say that foreign assistance "has no constituency," evidence is that the American people will support a program based on these new approaches.

In a recent nationwide poll conducted by Peter D. Hart Research Associates for the Overseas Development Council, fully two-thirds of those responding basically favored the idea of responsible, mutually beneficial foreign assistance.

The polls showed that Americans are most approving of tangible forms of U.S. assistance—such as food and health aid—rather than nebulous transfers of funds in the form of grants or loans.

The public, at the same time, is suspicious of programs which permit bureaucratic waste and diversions by graft.

The committee shared these concerns as it drafted this new legislation. We believe that the bill now before the House meets the objections about foreign aid which Americans, including Members of Congress, have harbored heretofore.

The changes are not simply cosmetic, but real.

We intend change—drastic change—in the planning and operation of our U.S. bilateral economic assistance programs.

Moreover, the committee is prepared to exercise its oversight function to the fullest to insure that changes intended by Congress will be accomplished by the executive branch.

We urge the wholehearted support of our colleagues in the Congress for this legislation and the programs it proposes—programs which

### COST ESTIMATES

Pursuant to clause 7, rule XIII of the House Rules, the committee has examined the requests submitted by the President to carry out the various programs authorized by this bill. It has made adjustments in the requests and recommends \$2,833,868,000 for fiscal year 1974 and \$889,068,000 for fiscal year 1975 as shown in the table in the section on "Purposes of the Bill".

Any projection for the next 5 years is difficult to make. The program has been restructured by this bill and a period of experience will be necessary to determine if the new emphasis meets congressional expectations. Changing foreign policy interests of the United States and defense requirements of its friends and allies add uncertainties.

Consequently, a straight-line projection of the costs described above with respect to fiscal year 1974 can provide, at best, a tentative and uncertain estimate.

(9)

### THE PIPELINE

Unexpended balances, often referred to as the pipeline, are funds that have been obligated for goods and services on order but not yet delivered. When delivery is made, payments are met from funds previously appropriated and set aside for that purpose.

In recent years, Congress and the Executive have placed greater emphasis upon loans rather than grants. This has resulted in a buildup of the pipeline. A loan is authorized when a decision is made to make the loan to the borrowing country. Expenditures, on the other hand, are made only against deliveries or the fulfillment of conditions. In either case, the outlay of funds usually stretches over a number of years. Hence, there is a lag between loan authorizations and expenditures. The following table shows the annual unexpended balances for the foreign assistance program—military and nonmilitary but excluding investment guaranty programs—at the end of each fiscal year since 1950.

*Unexpended balances, foreign assistance program, military and nonmilitary, including Alliance for Progress, but excluding investment guaranty program and acquisition of excess property revolving fund*

Fiscal year:	(In billions)	Fiscal year—Continued	(In billions)
1950.....	\$3.5	1962.....	\$6.6
1951.....	7.1	1963.....	6.8
1952.....	9.9	1964.....	6.3
1953.....	10.1	1965.....	6.3
1954.....	9.6	1966.....	6.4
1955.....	7.9	1967.....	6.6
1956.....	6.4	1968.....	6.2
1957.....	6.1	1969.....	5.3
1958.....	5.3	1970.....	4.7
1959.....	4.8	1971.....	4.8
1960.....	4.8	1972.....	4.7
1961.....	6.0	1973 (estimated).....	4.4

An examination of the annual budget of the President indicates that unexpended balances are not peculiar to the foreign assistance program. The following table compares the unexpended balances of the military assistance portion of the program with those of the Department of Defense.

#### UNEXPENDED BALANCES—MILITARY ASSISTANCE PROGRAM COMPARED WITH DEPARTMENT OF DEFENSE

[In billions of dollars]

	Military assistance	Department of Defense (military function)		Military assistance	Department of Defense (military function)
1950.....	1.3	9.8	1962.....	2.8	21.1
1951.....	5.5	38.1	1963.....	2.4	18.6
1952.....	8.4	59.5	1964.....	2.0	17.5
1953.....	8.5	62.1	1965.....	2.0	19.5
1954.....	7.8	55.0	1966.....	1.8	26.9
1955.....	6.2	45.3	1967.....	2.1	32.1
1956.....	4.6	24.8	1968.....	1.8	30.9
1957.....	4.2	23.6	1969.....	1.6	29.5
1958.....	3.4	23.8	1970.....	1.2	25.5
1959.....	2.5	23.5	1971.....	1.6	23.0
1960.....	2.3	21.1	1972.....	1.6	24.0
1961.....	2.6	18.8	1973 (estimated).....	1.6	29.8



Opponents of the foreign assistance program are critical not only of the unexpended balances but of *unobligated* balances which are often described as sizable. They argue that the Executive has asked for, and the Congress has voted, more money than can be used. This complaint rests on the theory that money appropriated must be spent regardless of the changing circumstances. The committee does not endorse an imprudent approach in dispensing public funds. If a particular program does not materialize as planned, it is a mark of sound management to withhold the obligation of funds. The dimensions of the unobligated and unexpended balances of the foreign assistance program can be better appreciated by comparison with similar balances of other agencies of the Government. The following figures, taken from the budget of the President, cover the Department of Defense, the Department of Agriculture, the foreign assistance program, and all other Government agencies.

UNEXPENDED AND UNOBLIGATED BALANCES<sup>1</sup>

[In billions of dollars]

Item	Department of Defense (military functions)	Foreign assistance	Department of Agriculture	All others	Total
Unexpended, June 30, 1956.....	24.8	6.2	1.8	7.1	39.9
Unobligated/unreserved, June 30, 1956.....	12.7	.4	.2	19.6	32.9
Unexpended, June 30, 1957.....	23.6	5.4	1.4	7.0	37.4
Unobligated/unreserved, June 30, 1957.....	11.0	.9	1.6	17.7	31.2
Unexpended, June 30, 1958.....	23.8	5.3	1.4	8.9	39.4
Unobligated/unreserved, June 30, 1958.....	8.3	.2	3.4	20.6	32.5
Unexpended, June 30, 1959.....	23.5	4.8	1.4	9.2	38.9
Unobligated/unreserved, June 30, 1959.....	8.2	.2	2.2	22.1	32.7
Unexpended, June 30, 1960.....	21.1	4.8	1.3	9.5	36.7
Unobligated/unreserved, June 30, 1960.....	9.6	.2	2.4	23.5	35.7
Unexpended, June 30, 1961.....	18.8	5.4	2.2	10.8	37.2
Unobligated/unreserved, June 30, 1961.....	9.9	.8	1.1	27.4	39.2
Unexpended, June 30, 1962.....	21.1	6.7	3.4	11.9	43.1
Unobligated/unreserved, June 30, 1962.....	8.1	.2	1.2	27.3	36.8
Unexpended, June 30, 1963.....	18.6	6.5	3.8	13.4	42.3
Unobligated/unreserved, June 30, 1963.....	11.7	.5	1.0	32.1	45.3
Unexpended, June 30, 1964.....	17.5	6.2	4.0	15.7	42.6
Unobligated/unreserved, June 30, 1964.....	12.7	.3	.8	32.9	46.7
Unexpended, June 30, 1965.....	19.5	5.8	4.1	20.6	50.0
Unobligated/unreserved, June 30, 1965.....	13.6	.5	.8	32.1	47.0
Unexpended, June 30, 1966.....	26.9	6.0	5.4	24.8	63.1
Unobligated/unreserved, June 30, 1966.....	15.8	.4	.9	34.1	51.2
Unexpended, June 30, 1967.....	32.1	6.2	5.5	35.2	79.0
Unobligated/unreserved, June 30, 1967.....	15.1	.4	2.6	116.4	134.5
Unexpended, June 30, 1968.....	30.9	6.0	5.6	38.8	81.3
Unobligated/unreserved, June 30, 1968.....	14.8	.2	2.7	124.4	142.1
Unexpended, June 30, 1969.....	29.5	5.0	6.9	42.5	83.9
Unobligated/unreserved, June 30, 1969.....	14.9	.3	1.9	124.5	141.6
Unexpended, June 30, 1970.....	25.5	4.7	5.9	45.6	81.7
Unobligated/unreserved, June 30, 1970.....	14.8	(2)	1.6	140.0	156.4
Unexpended, June 30, 1971.....	23.0	4.8	5.7	52.5	86.0
Unobligated/unreserved, June 30, 1971.....	13.0	.1	1.4	160.6	175.1
Unexpended, June 30, 1972.....	24.0	4.7	6.9	56.7	92.3
Unobligated/unreserved, June 30, 1972.....	11.9	(2)	1.6	163.6	177.1
Unexpended, June 30, 1973 <sup>2</sup> .....	29.8	4.4	6.0	74.3	114.5
Unobligated/unreserved, June 30, 1973 <sup>2</sup> .....	9.4	(2)	3.5	171.1	184.0

<sup>1</sup> Data in "Total" and "All others" columns for June 30, 1968, and subsequent years are not comparable with prior years. Reporting in Treasury Combined Statement was changed in fiscal year 1968 to conform to a unified budget concept.

<sup>2</sup> Less than \$100,000,000.

<sup>3</sup> Estimated.

### FOREIGN ASSISTANCE AND THE U.S. BALANCE OF PAYMENTS

The committee gave consideration to the impact of the foreign assistance program on the U.S. balance of payments.

The most recent complete figures available are for fiscal year 1972. In that year 80 percent of AID expenditures for development assistance—about \$1,073 million—was for goods and services procured from U.S. sources. The remaining 20 percent—\$266 million—was spent offshore. Of this latter sum, \$22 million was spent overseas in the form of excess foreign currencies used in lieu of dollars. This reduced the dollar expenditures to \$244 million. This outlay of dollars spent abroad was offset by \$276 million in net receipts of dollar repayments and interest on prior year loans and credits. In summary, the development assistance program in fiscal year 1972 resulted in a net flow to the United States of \$32 million.

In the case of supporting assistance, expenditures in fiscal year 1972 were \$684 million. Of this total, \$174 million represented offshore expenditures—\$96 million in cash grants and \$78 million for personnel costs and procurement abroad.

The total level of offshore expenditures for the economic part of the foreign assistance program thus came to \$142 million in net terms during fiscal year 1972.

Looking ahead a few years, if offshore expenditures remain at the 1972 level, they will be more than offset by the projected increased dollar repayments and interest on outstanding loans which, by 1976, are estimated to return \$456 million to the United States.

The military part of the program in fiscal year 1972 is heavily weighted on the plus side of the ledger. While grant military assistance resulted in an outflow of only \$5 million, cash and credit sales brought in \$3.4 billion—for a net return of slightly less than \$3.4 billion.

### **ESTABLISHMENT OF REVIEW MECHANISM FOR REFUSAL OF EXTRADITION REQUEST**

The committee is concerned that in a number of instances in recent years certain foreign countries have refused U.S. requests for extradition of individuals charged in the United States with offenses apparently covered under valid extradition treaties. Whenever a U.S. extradition request is refused by another country, the committee believes that such refusal should be subject to a review mechanism established by the executive branch to determine, to the extent feasible, whether the refusal of extradition was based on valid legal grounds. Conclusions based on such a review should, in each instance, be promptly reported to the appropriate committees of Congress.

In any case where it is found that there were no valid legal reasons for not honoring a U.S. extradition request, it is the committee's opinion that the President should consider an appropriate response, including possible reduction or termination of assistance to the country refusing extradition, and that the President should promptly report his findings and recommendations in this regard to the Congress.

(18)

## PROVISIONS OF THE BILL

### SECTION 2—CHANGE OF TITLE OF ACT AND NAME OF AGENCY

In order to emphasize the change in foreign assistance policy and structure incorporated in this legislation, this section makes two significant name changes:

Subsection (a) alters the title of the basic legislation authorizing U.S. bilateral foreign economic and military assistance from "The Foreign Assistance Act of 1961" to "The Mutual Development and Cooperation Act of 1973."

Subsection (b) changes the name of the agency responsible for administering the programs under the act from the "Agency for International Development" (AID) to "The Mutual Development and Cooperation Agency" (MDCA).

The change is not merely cosmetic. It reflects the conviction that foreign assistance programs must be a mutually beneficial process both for the low-income countries in need of outside resources and for the United States when it helps supply some of those resources.

For example, increases in domestic employment and improvements in the American trade and payments balances are goals that depend on reforms of the international financial and trading systems. The ability and willingness of the developing countries to cooperate with us in these areas are likely to be enhanced if they are making progress economically and the United States is aiding the process.

Similarly, our Nation's future access to needed raw material resources of less developed nations may well depend on the contribution we make now to their economic and social viability.

Unfortunately, "aid" and "AID" had come to connote a "one-way street" donor-recipient relationship.

By emphasizing mutuality and cooperation in the law and administering agency, a clearer focus on benefits which can accrue to the United States from a foreign assistance program should be possible.

### SECTION 3—POLICY; DEVELOPMENT ASSISTANCE AUTHORIZATIONS

This section contains a major redirection of U.S. bilateral foreign economic assistance. Through the addition of a clear congressional mandate in the statement of policy and a sectoral approach in the authorization of funds, U.S. programs are restructured toward a people-oriented, problem-solving form of foreign assistance.

#### *Statement of policy*

Subsection (b) amends section 102 of the Foreign Assistance Act by adding new language which calls for the restructuring of U.S. relationships with the developing countries, in the light of progress already made and changing conditions. Emphasis should be given to several criteria:

(1) Bilateral development aid should concentrate increasingly on sharing American technical expertise, farm commodities, and in-

**dustrial goods to meet critical development problems, and less on large-scale capital transfers, which when made should be in association with contributions from other industrialized countries working in a multilateral framework.**

Past foreign aid programs have had a heavy emphasis on large-scale capital transfers to the "third world." While the industrial sectors of recipient countries have thereby progressed, the benefits often have not "trickled down" to the poorest majority of people.

In some countries, the capital-intensive approach has not prevented the gap between the few rich and the many poor from growing; neither has it kept the absolute numbers of hungry, illiterate, and diseased people from increasing.

Growth in the gross national product is not enough. Governments of the developing nations must actively attempt to distribute income more equitably and to attack directly the most pressing problems of their peoples.

**(2) Future U.S. bilateral support for development should focus on critical problems in those functional sectors which affect the lives of the majority of the people in the developing countries: food production, rural development, and nutrition; population planning and health; education, public administration, and human resource development.**

Hunger, malnutrition, disease, ignorance and poverty continue to plague the majority of the human race.

The needs of low-income peoples are staggering. The ability of the United States to meet those needs is limited. For that reason, attacks on the problems of the developing countries must be based on clear priorities.

Those priorities should be directly related to meeting the basic human needs of the poorest people in the developing countries, in order to enhance their opportunities for employment, to improve the distribution of wealth, and to increase social justice.

Projects which aim at development through a "trickle down" approach should be left to multilateral international financial institutions and private investment.

U.S. bilateral assistance henceforth should be problem-solving, people-oriented and targeted on the basics: food, nutrition, health, population control, education, and development of human resources.

**(3) U.S. cooperation in development should be carried out to the maximum extent possible through the private sector, particularly those institutions which already have ties in the developing areas, such as educational institutions, cooperatives, credit unions, and voluntary agencies.**

In line with the reduction in the number of U.S. officials abroad and the collaborative style of relationships with the developing countries mandated in this act, it is expected that the overseas missions of the Mutual Development and Cooperation Agency (MDCA) will be small.

Similarly the Washington headquarters of the Agency should be significantly reduced in size. Congressionally approved measures providing for early retirement of AID personnel should be used to the utmost in achieving the personnel cutback.

Under this restructured program, there should be much less project implementation directly by the MDCA.

Rather, where Americans are needed to help implement projects, the MDCA should turn to voluntary organizations, nonprofit contractors, other U.S. Government agencies, private contractors and consultants, private international organizations and organizations within the developing countries themselves.

So far as American private organizations are concerned, the Agency would be expected to work closely with those U.S. institutions and groups which already have ties established in the recipient countries, such as educational organizations, cooperatives, credit unions and voluntary organizations. The committee believes that the Agency should simplify its administrative requirements in working with these private organizations in order to facilitate their activities.

**(4) Development planning must be the responsibility of each sovereign country. U.S. assistance should be administered in a collaborative style to support the development goals chosen by each country receiving assistance.**

Development planning must be the responsibility of each sovereign country—a responsibility which many developing nations are increasingly capable of discharging themselves.

U.S. foreign aid personnel should no longer attempt to promote “made in America” development strategies. The planning and execution of development policies for recipient countries by large U.S. bureaucracies are neither necessary nor feasible for the future.

This in no way should reflect on the dedication and talent of the many Federal employees who have been involved in past foreign aid operations. Frequently, they have played a key part in those initial development undertakings whose services make further progress possible today. Nevertheless, if foreign aid is to be restructured, the machinery which has administered it must be tailored to reflect the new and changed conditions.

In the absence of a demonstrated capacity of a nation to do its own planning, an appropriate international organization or group should assist in that country's development planning effort.

**(5) U.S. bilateral development assistance should give the highest priority to undertakings submitted by host governments which directly improve the lives of the poorest majority of people and their capacity to participate in the development of their countries.**

Although the restructured program would abandon attempts to do “made in America” country planning for recipient nations, it does express a clear preference for a particular type of development—one that aids the poor majority of the people and enables them to participate more effectively in the development process—and concentrates future U.S. aid on efforts which aim at that objective.

We are learning that if the poorest majority can participate in development by having productive work and access to basic education, health care and adequate diets, then increased economic growth and social justice can go hand in hand.

Through the restructured program the United States would be telling the developing countries: Use technology suited to your needs. Keep investments labor-intensive. Do not forget the immediate needs of your poorest people.

Moreover, the United States would be saying that in the future, the bulk of our development assistance will be associated with programs in three basic fields: (1) rural development, nutrition and food; (2) education and manpower development; and (3) population and health.

Our view that these fields need the greatest attention may not be shared by the governments of the developing countries. The setting of domestic goals is their own business. But it is our business to decide what form our bilateral aid will take, and what kind of activities we will henceforth support. This the bill does very clearly.

There may be cases where it is apparent that the greatest needs and opportunities lie outside those three fields and where progress in them is being impeded for lack of investment in another, supporting field.

In such instances, the bill makes provision for an exception and permits funds to be used where common sense would dictate.

**(6) U.S. development assistance should continue to be available through bilateral channels until it is clear that multilateral channels exist which can do the job with no loss of development momentum.**

In recent years an increasing portion of U.S. development assistance has been contributed to several multilateral institutions to be loaned or granted by them to the developing nations.

While the multilateral organizations have a definite place in the development picture, it is clear from their performance to date that they cannot be expected to substitute entirely for bilateral assistance.

They tend to concentrate their efforts on massive industrial projects rather than on the problem-solving, people-oriented efforts which this bill emphasizes.

The United States has repeatedly demonstrated in the past its ability to exert leadership in the solution of problems which afflict the lives of millions. From the development of the "miracle" seed grains to the achievement of a sensitivity among nations to the threat of excess population growth, our Nation has played an essential role.

To abandon that role without assurance of adequate replacement would be to turn our backs on the struggles of other peoples against man's ancient enemies of poverty, disease, ignorance, and hunger.

**(7) Under the policy guidance of the Secretary of State, the Mutual Development and Cooperation Agency should have the responsibility for coordinating all U.S. development-related activities.**

At the present time no single entity within the Government coordinates the range of U.S. activities which relate to the developing nations.

The need for more effective coordination and review of U.S. development-related undertakings is clear.

These programs are conducted under several statutes by several departments and agencies. At times, each of them has seemed to be going its own way without reference to the others.

The MDCA would be the only U.S. Agency which is primarily concerned with development. It ought to play a more important role than AID presently does in coordinating these U.S. programs.

Thus, this bill provides, in subsection 640B, a mechanism for effective coordination.

**Functional categories**

Subsection 3(c) adds seven new sections—sections 103–109—to chapter 1 of the act, which together constitute a completely new system of authorizing the appropriation of funds for bilateral development assistance.

Whereas previous authorizations have provided funds for development loans, technical cooperation and development grants, Alliance for Progress, and programs relating to population growth, the amendments authorize funds in five categories divided primarily according to sector or field of activity: Food and nutrition, population planning and health, education and human resource development, selected development problems, and selected countries and organizations.

As the following table demonstrates, the authorizations for the five categories for the fiscal years 1974 and 1975 are essentially the same as that proposed by the executive branch, but with somewhat different distribution among the categories.

Activities falling into more than one category may be funded from one or more categories, as appropriate.

Funds are to be used in accordance with existing provisions of law, but the amendments provide for somewhat greater transferability of funds among the five categories than is now permitted among present funding categories in the act.

## COMPARISON OF DEVELOPMENT ASSISTANCE FUNDS REQUESTED BY THE ADMINISTRATION AND H.R. 9360

(In millions)

	Administration request	H.R. 9360
Development loans.....	\$201.4	
Technical assistance and development grants.....	165.65	
Alliance for progress.....	236.1	
Population programs.....	116.0	
Food and nutrition.....		\$300
Population planning and health.....		150
Education and human.....		1.5
Selected development problems.....		93
Selected countries and organizations.....		60
Total.....	719.15	7.8

<sup>1</sup> The administration failed to request an authorization of appropriations for population programs. In fiscal year 1973, funds were appropriated for population programs on the basis of an earmarking provision—not an authorization—in the law. In marking up the bill, the committee included this amount in the authorizations. An authorization would have been necessary in any case and thus is included as part of the administration's request in this table.

The seven new sections are the following:

**Section 103—Agriculture, rural development, and nutrition**

This section authorizes the appropriation of \$300 million for each of the fiscal years 1974 and 1975 for agriculture, rural development and nutrition.

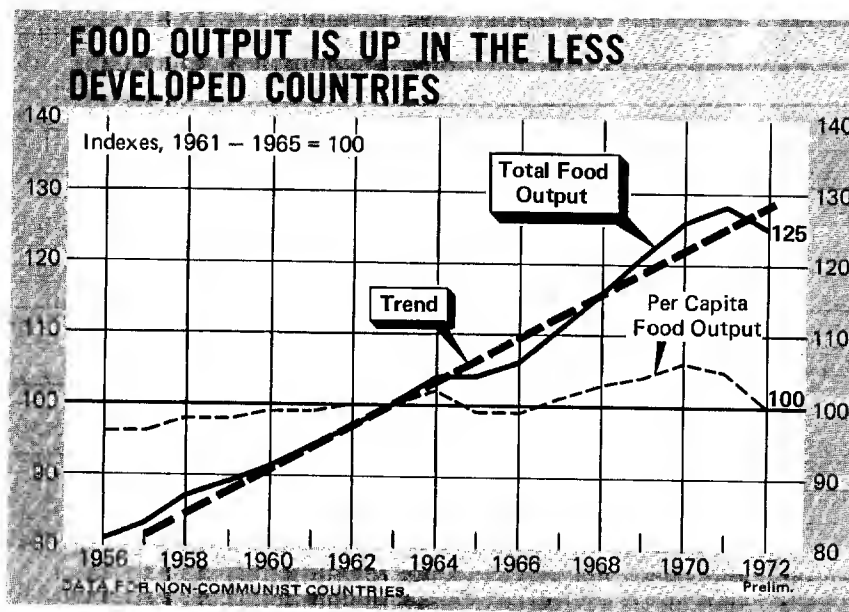
Agriculture is given a particular priority because in most developing countries it provides not only food and fiber, but also jobs for the unemployed, increased incomes for the poor and additional foreign exchange earnings.

An estimated 300 to 500 million people in developing countries do not get enough food of any type. Further, some 1.5 billion people have inadequately balanced diets and suffer particularly from protein deficiencies.



Over the past decade as a result of the "Green Revolution," food production in the developing countries has increased an impressive 35 percent. This effort has been retarded, however, by depletion of soils, increased plant diseases and depredations by insect pests.

If present population growth rates continue in the developing countries, world food production must double by the year 2000 merely to maintain current inadequate diets. In order to provide adequate nutrition the output will have to increase by two and one-half times. (See the following chart:)



Since there is little arable land not now in use, this great increase must be achieved by major advances in agricultural productivity and techniques—fields in which the United States is justly regarded as the leader.

A particularly important target must be those lands which have less than adequate water supplies.

The poorest majority of rural people live on just such lands. Their livelihood depends on crops which, unlike irrigated wheat and rice, have not been the subject of extensive research.

The success of the "miracle" seeds for well-irrigated lands provides ground for hope. That example indicates the kind of accomplishments which are attainable when research and technological development efforts are thoroughly organized and clearly targeted on the basic needs of the people in the low-income countries.

Increasing production of food grains is not, by itself, sufficient. Better distribution of foodstuffs and better nutrition are essential to increased well-being for the poor.

New ways must be found to create low-cost foods and to increase the nutritive content of the foods traditionally consumed in the recipient countries.

Rural development aims at increasing the productivity and improving the quality of life in rural areas. Projects are needed to aid small farmers and help reduce existing income disparities.

Most of the people of the developing countries—80 percent in Asia—live in rural areas. But they are abandoning them at alarming rates and crowding the cities in search of a better life.

As a result, cities have expanded beyond any nation's ability to cope with the influx. In Latin America, cities are growing at the rate of 10 percent a year, and more than 50 percent of the population on that continent now is urbanized.

Instead of finding a better life, these migrants are discovering unemployment, congestion, inadequate shelter, and disease. Their presence as a potentially volatile, rootless mass in the major cities of the developing countries is a major threat to stability and progress.

To slow the rural-urban migration will require renewed efforts at rural development, including increased agricultural production, land reform, and the encouragement of local institutions which can foster participation by the general populace.

To meet those objectives, rural development funds authorized under this section should be concentrated in the following areas:

1. Local and regional institutions in which people participate in development; local government, farmers organizations, business, trade, labor, professional, and other groups and also specialized authorities such as irrigation districts.

2. Local, essentially agricultural, market areas and market towns, and small cities located in them. (The U.S. rural county, with its county seat market town is an American equivalent of this concept.)

3. Local and regional financial institutions such as private banks, cooperatives, land banks, and small business banks.

4. Local infrastructure and utilities; farm-to-market roads, small-scale land improvement, rural electrification, storage facilities, water supply, and sanitation.

5. Small-scale agriculturally related industries, consumer goods, and service and construction industries oriented to meeting the needs and demands of people whose incomes are low but rising.

Turkey is an example of how foreign assistance can help a country meet its special agricultural needs.

To provide for a rapidly growing, wheat-eating population, the Turkish Government sought to increase acreage yields. A U.S. short-term advisory group worked with Turkish experts to plan a successful wheat production effort.

In the first year more than 50,000 farmers planted 425,000 acres of high-yielding wheat along coastal areas. Yields increased from 22 bushels to 52 bushels per acre.

By 1972 Turkey was one of the few developing nations with a domestic surplus of wheat.

Research plays an important part in increasing agricultural productivity, both of grains and livestock.

Today, funded by foreign assistance money, Texas A. & M. is doing very promising work on controlling blood parasite diseases—which are a common problem of animals and man in the tropics.

In fish production, a project at Auburn University has achieved the marvel of getting almost a pound of fish per pound of feed. This fish-growing process is being introduced into the Philippines, Brazil, Thailand, and other countries.

With a modest research project, AID has helped eliminate the devastating livestock rabies problem—a disease being spread by vampire bats throughout Latin America and even to our own borders.

Animal losses to rabies once amounted to \$250 million annually. Now at a cost of about 9 cents per cow a control program is being introduced in Mexico, Brazil, and other Latin American countries which should see the end of the problem in a few years.

In the area of nutrition, research is essential. At the University of Nebraska a team of AID-funded scientists is concentrating on finding high-protein genetic strains of grain.

Some 15,000 different strains of wheat have been assessed and several with double or more the average protein levels have been discovered.

These are being tested around the world and could be an important answer to the problem of providing a balanced protein food for children.

In rural development the activities of credit unions and cooperatives can make important contributions to the improvement of rural life.

Small farmers in the developing countries rarely have access to needed credit on terms they can afford.

Foreign assistance has been and must continue to be aimed at providing credit to small farmers to assist them in increasing their own productivity.

For example, a loan authorized for Guatemala in fiscal year 1973 provides financing for cooperative credit in the poorest agricultural areas of that country.

Elsewhere in Latin America, credit unions which started with deposits of 25 cents per family are now part of a hundred million dollar cooperative savings system in that hemisphere.

In a single African country, the creation and development of a central service cooperative has increased the access of 600,000 small farmers to farm supplies and credit.

Those types of projects would be carried forward and given new emphasis under the revisions provided in this legislation.

#### ***Section 104—Population planning and health***

This section authorizes the appropriation of \$150 million for each of the fiscal years 1974 and 1975 for population planning and health.

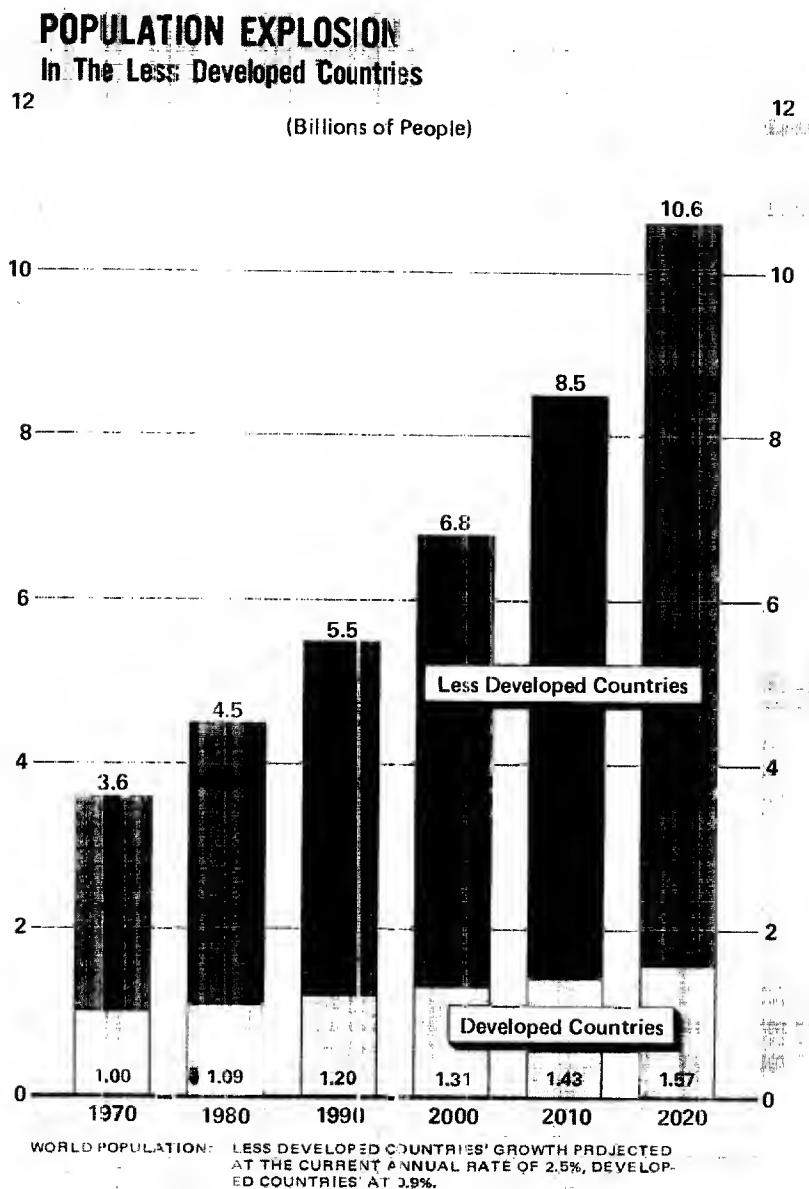
Since the early stages of development assistance, the United States has been involved in helping other countries solve their health problems. In more recent years, it has assisted recipients with programs of family planning.

Great progress has been made against epidemic killers such as smallpox and malaria, and there is a growing acceptance by governments of the need for population programs.

However, the great majority of people still do not have access to even rudimentary health services, and birth rates are dropping only slowly in most countries. For example, despite government programs to reduce population growth, India must feed, clothe, house, and educate an additional 1 million people each month.

The poor countries now account for about 85 percent of the annual world population growth, with family size in developing areas averaging six children per family.

At that fertility level, world population will grow from the present 3.6 billion to about 6.6 billion by the year 2000 and will reach more than 10 billion in the next 50 years. (See chart below.)



Clearly, such growth would be catastrophic.

From the standpoint of population control, there are four groups of people in the developing countries:

1. City-dwellers who have easy access to a variety of health and family planning services, which they can afford. The group is relatively small.

2. Rural people who have similar availabilities as group No. 1. This is a larger but still relatively small segment.

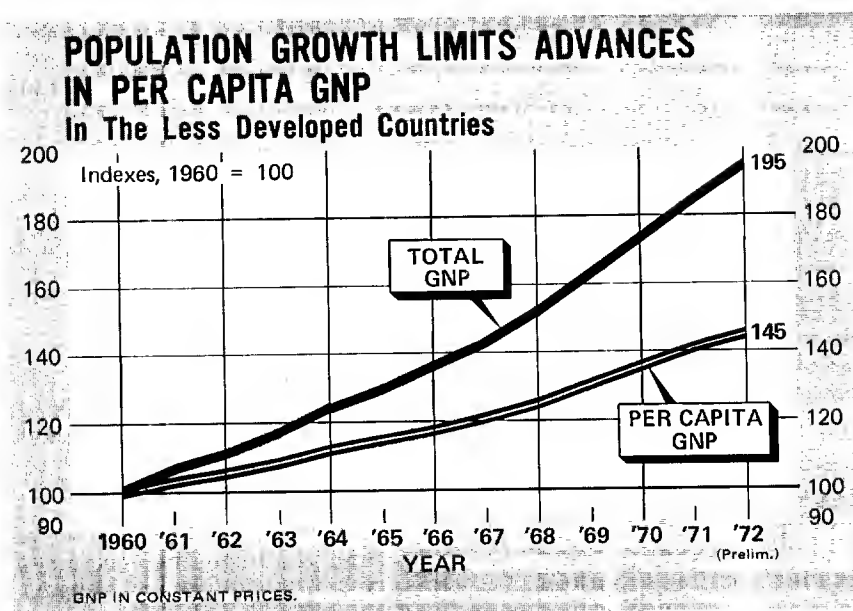
3. The urban poor who have only limited or difficult access to family planning services and cannot afford them. This is a large number.

4. The rural poor who have little or no inkling of reliable family planning methods, no access to antifertility services, no money to pay for them anyway, and little motivation to limit their families. This is the majority in the developing nations.

In the past, U.S.-aided population programs have for logistics and other reasons concentrated on groups Nos. 1 and 2, and have found many in them to be "early acceptors" of family planning.

Now efforts must be launched to reach and motivate the much larger numbers in groups Nos. 3 and 4.

Only by changing the fertility patterns of those groups can the developing countries prevent gains in productivity from being eroded by population growth. (See the following chart.)



Efforts to reach groups Nos. 3 and 4 will be difficult because of logistics problems, meagerness of resources, and lack of motivation among poor peoples.

New approaches—going beyond traditional family planning programs—are needed. The United States should be prepared to aid the developing countries in establishing low-cost systems of extending services to the urban and rural poor.

For both humanitarian and logistics reasons such delivery systems should be devised in an integrated strategy to combat the related problems of inadequate health care, insufficient nutritious food, poor sanitation, and excessive population growth.

In a larger context, the entire new direction for foreign assistance represented in this legislation should have an impact on the population crisis in the developing countries.

By concentrating on remedying the basic "disease" of poverty as it would, this restructured U.S. bilateral assistance program can help create the needed motivation for smaller families.

Policies and programs which target on bringing food, jobs, health, and education to poor people, when combined with substantial, effective family planning programs, should make it possible to stabilize "third world" population much more rapidly than reliance on either approach alone.

In the field of health, rather than focus on curative programs which would reach relatively few people, foreign assistance funds must continue to try to reach the great mass of people with programs to prevent serious epidemic diseases such as malaria, smallpox, measles, and cholera.

The malaria control program sponsored by AID has been a notable success. When U.S. support for the program began 1.7 billion persons were exposed to malaria.

Today, over three-fourths of them live in regions where the disease has been eradicated or greatly reduced.

Success in those areas should make possible bringing a fuller range of health services to the poor majority through systems which are appropriate to existing conditions, including the use of paramedical personnel.

In Guatemala, for example, training of paramedical personnel--midwives, practical nurses and laboratory technicians--has been made part of the national health program. With the help of an AID-supported American medical specialist in preventive medicine, hundreds of individuals are being trained to bring improved health care into the rural areas.

At the same time, foreign assistance loans have made possible the construction of simple, yet utilitarian, rural health centers in Guatemala, Nicaragua, and Panama, focusing on mobile dispensary units.

The success of population and health programs in the developing countries depend to a large extent upon existence of trained manpower, appropriate service systems, and local institutions to lead and conduct the effort.

Foreign assistance funds have, for example, aided a public administration education and research center to design and recommend management and marketing systems for Venezuelan agencies engaged in family planning.

At the University of Ghana, foreign assistance funds are assisting the development of a population center to expand local research and teaching on population problems.

In Thailand, AID has supported family planning activities aimed at reaching the rural poor Thai population by expanding existing health services in the countryside to include family planning.

In many Thai locales, each eligible couple has been pinpointed through village mapping and receives home visits by a trained midwife who provides family planning information and advice.

In rural areas of Korea and the Philippines, among others, population funds are used to support "mother-craft" classes in which women are taught adequately to care for and feed their children, while being given the essentials of family planning.

### **Section 105—Education and human resource development**

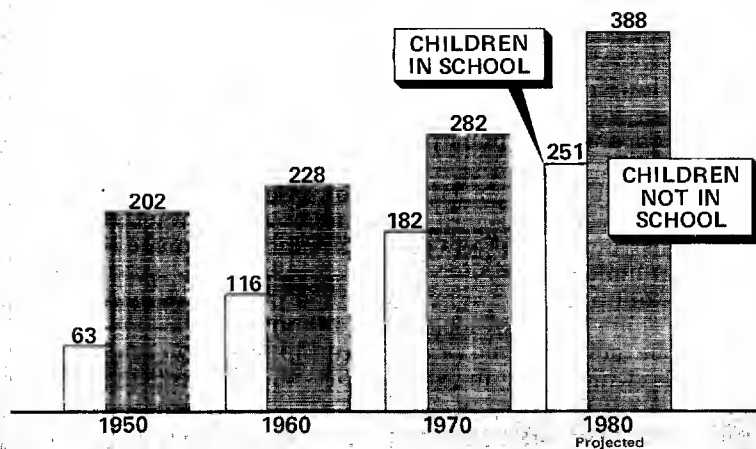
This section authorizes the appropriation of \$115 million for each of the fiscal years 1974 and 1975 for education, public administration, and human resource development.

Due to population increases, there are today 100 million more illiterate people than there were 20 years ago.

Further, although the low-income countries have doubled the size of their school systems in the past 10 years, it is believed that there are more children for whom even elementary education is unavailable than there were a decade ago. (See the following chart.)

### **POPULATION GROWTH OVERBURDENS SCHOOLS In The Less Developed Countries**

(Millions of Children Ages 5 - 14)



It has become clear that these countries cannot afford universal education as known in the West and that the academic patterns of the developed countries are inappropriate in the developing countries.

Those nations must develop low-cost, innovative systems of education to roll back illiteracy and provide their people with the requisite skills to participate in the process of development.

The United States can assist the developing nations with designing and testing new educational systems and concepts aimed at reaching larger numbers of people at lower costs.

To that end, funds appropriated under this section should be targeted at:

1. Expanding nonformal education, much of it through local institutions, with special emphasis on literacy and low- and medium-level skills training.
2. Increasing the relevance of formal educational systems to development problems through curriculum reform, better teaching materials, and improved teacher training.

3. Aiding higher education (but in smaller quantity and in lower priority than nonformal education) to the extent that the professional skills imparted contribute most directly to development and the welfare of the poorest majority.

4. Improving the administrative capacity of government at all levels, local and provincial as well as higher levels.

Among the kinds of new concepts and systems which the United States has helped devise and test before they have been adopted on a wide scale are the following:

In Guatemala children in four rural pilot schools are planting vegetable gardens while learning to read and write at the same time.

Since the AID-supported program went into effect, the dropout rate—usually about 80 percent in rural schools—decreased dramatically and attendance rates are significantly increased.

In Korea an elementary middle school program, supported by a U.S. loan, started with an analysis organized and conducted by the Korean Ministry of Education with the help of Florida State University.

Using advanced systems techniques, the analysis called for an overhaul of the Korean education system, including development of radio-television instructional systems. Currently AID is helping the Koreans design a 5-year pilot project based on the proposals in the study.

In Ethiopia and Kenya, a labor union-organized training program has met with success. Through the African-American Labor Center, Ethiopian construction workers are receiving part-time, evening training in modern building skills.

In Kenya, 200 printers are being trained in modern printing methods, through cooperation of local labor unions and employers.

Work in the general field of public administration can also help provide skills which are in very short supply in the developing countries.

In the past the United States has helped impart techniques to build public management capabilities in taxation, statistics, and civil service.

AID-supported programs have strengthened business schools in Nicaragua, Korea, Nigeria, Peru, Colombia, Brazil, and the Philippines.

During the past 10 years some 10,000 persons from developing countries have come to the United States or gone to other countries for training in business and public administration.

#### ***Section 106—Selected development programs***

This section authorizes the appropriation of \$93 million for each of the fiscal years 1974 and 1975 to help solve economic and social development problems in fields such as transportation and power, industry, and urban development.

Although the intent of this act is to put the emphasis on the fields described in sections 104–106, many countries still need substantial external resources to provide adequate roads, power supplies, and other basic elements of development.

The World Bank and other international institutions are providing a large part of assistance for those purposes. For that reason, it should be possible for the United States drastically to cut back on its infrastructure aid. In accomplishing this objective, however, the committee recognizes that an orderly transition period is required.



At the same time, however, in certain countries where infrastructure is critical to the development goals described in the new policy guidelines of this act, it may be necessary for the time being to continue to finance related projects.

Such projects should, however, be kept to a minimum and should pertain directly to development objectives which will benefit the poorest majority of people in the developing countries.

#### ***Section 107—Selected countries and organizations***

This section authorizes the appropriation of \$60 million for each of the fiscal years 1974 and 1975 for three purposes:

First, to support the general economy of certain key countries, primarily through program lending;

Second, to contribute to development programs conducted by private organizations such as the International Executive Service Corps (IESC), the Asia Foundation, cooperatives, credit unions, and voluntary agencies; and

Third, to help support development programs of certain international organizations such as the Organization of American States (OAS) and the Central Treaty Organization (CENTO).

Although this act sets a new direction for foreign assistance away from program lending, certain key countries—such as Ghana and Indonesia—lack foreign exchange to buy imports of materials, equipment, and commodities necessary for development.

Thus, this act provides for an amount, greatly reduced from prior years, for program lending to those countries. This lending, it should be noted, normally is worked out in concert with a consultative group of other donors and involves self-help steps by the recipients.

The committee, however, anticipates that to the fullest extent possible export credits under the new Export Development Credit Fund will be substituted for direct program lending as a means of meeting the import gaps of those selected countries and introducing American goods to their private sectors.

As for the development programs of private international organizations, the committee continues to believe that such organizations can and do play an important role in bringing American talents to the aid of developing countries.

As emphasized in the new policy statement, we believe in the maximum use of the private sector to carry out development programs.

The people-to-people, institution-to-institution relationship between Americans working in development and their equivalent organized groups in the developing countries is a valuable concept.

Such an approach can increase the flexibility and quality of American assistance; help institutionalize professional, technical, and organizational skills in low-income countries; and reduce or avoid some difficulties involved in government-to-government relationships.

#### ***Section 108—Applicability of existing provisions***

This section requires assistance authorized under this chapter to be furnished in accordance with the provisions of law applicable to categories of assistance now in the law: development loans, technical cooperation and development grants, and Alliance for Progress.

This language assures that the restrictions, criteria, authorities and other provisions of existing law are not rendered inapplicable as a result of the restructuring of foreign assistance proposed in this bill.

***Section 109—Transferability***

This section provides for limited transferability of funds among the five new categories of assistance.

It permits up to 15 percent of the funds made available in any of the five categories to be transferred to any of the other four, provided that the category to which the funds are transferred is not thereby increased by more than 25 percent.

Transfers between any of the five new categories and any other funds appropriated under the act would continue to be governed by the existing provisions of section 610.

**SECTION 4—DEVELOPMENT LOAN FUNDS**

Subsection (a) amends the existing loan receipt reuse authority of section 203 of the act to include dollar receipts from loans made prior to 1954.

Subsection (b) extends the loan receipt reuse authority to fiscal years 1974 and 1975 and authorizes reuse for the restructured categories of development assistance as well as for specified purposes of the new U.S. Export Development Credit Fund established by the bill.

**SECTION 5—TECHNICAL COOPERATION AND DEVELOPMENT GRANTS**

***Section 5(a)—Authorization limitation***

Section 5(a) amends section 211(a) of the Foreign Assistance Act of 1961, relating to general authority, by adding the word "directly" to the sentence which limits to 40 the number of countries to which technical assistance may be furnished under title II.

The purpose of this amendment is to make clear that the 40-country limitation applies only to bilateral assistance furnished directly by the Government of the United States to the governments of less developed countries and is not applicable to assistance to private organizations, such as the International Executive Service Corps, which conduct programs in countries to which the U.S. Government does not furnish bilateral assistance.

The amendment is also intended to make clear that programs of research and experimentation authorized under section 241 of the act are not considered assistance to countries within the meaning of section 211 or any other section of the act.

***Section 5(b)—American schools and hospitals abroad***

This section amends section 214 of the act in three respects:

***Authorization***

Section 214(c) of the act is amended to provide authorization in the amount of \$20 million for fiscal year 1974 and \$20 million for fiscal year 1975 for assistance to American schools and hospitals abroad. It also eliminates unnecessary language pertaining to expenditure of funds appropriated for fiscal year 1970.

***Excess local currencies***

Section 214(d) of the act is amended to provide an authorization for appropriation of excess foreign currencies of \$7 million for fiscal year 1974 and \$7 million for fiscal year 1975.

### ***Limitation***

A new subsection (e) is added to section 214 of the act to limit assistance under this section to not more than four institutions in any one country in any fiscal year. This amendment also provides that not more than one university and one hospital in any one country may receive section 214 aid in any fiscal year. By "university" is meant any institution of higher learning.

The purpose of these provisions is to help insure wider geographic distribution of the funds available and to carry out the stated intent of the law: namely, to provide such support as may be necessary to a limited number of institutions, sponsored by American citizens, which serve as demonstration centers for American ideals and practices in the fields of education and health.

At present, approximately 80 percent of the funds authorized and appropriated under this section go to institutions in the Near East. The committee believes this represents too heavy a concentration in a single region.

Moreover, during recent years, requests for section 214 assistance have proliferated to the point that they have greatly exceeded the funds provided by Congress for this program. Many of these requests have come from institutions which perform valuable social and educational services in the countries in which they are located, but which seem to be outside the purview of section 214. The committee believes that the limited funds provided under section 214 should be reserved for centers of excellence which in fact serve as demonstration centers for American achievements in education and health. As the committee suggested in its report on the Foreign Assistance Act Amendments of 1971, other worthy institutions should be considered for assistance under the appropriate sectoral authorizations.

The further limitation to support only one university and only one hospital center in a country at the same time was deemed necessary because such institutions require more funds and this program, with limited funds, cannot be expected to support several large institutions in the same country.

## **SECTION 6—HOUSING GUARANTIES**

### ***Section 6(a)—Worldwide housing guaranties***

This subsection amends section 221 of the act by increasing by \$100 million the amount of worldwide housing guaranty authority. With the provision of this \$100 million, the total amount of guaranties that may be outstanding at any one time under section 221 will be \$305 million, exclusive of the \$25.1 million authorized and issued under predecessor programs.

As of March 31, 1973, AID had authorized \$147.5 million in worldwide housing guaranties covering 14 projects in 11 countries. When completed the projects will provide a total of 33,733 new housing units. With the unused authority of \$82.6 million and the \$100 million being provided in this bill, the committee believes this amount is sufficient to carry on the program for the next 2 fiscal years.

### ***Section 6(b)—General provision***

This subsection amends subsection 223(i) of the act to make housing guaranty authority available through June 30, 1976.

SECTION 7—OVERSEAS PRIVATE INVESTMENT CORPORATION

***Section 7(a)—Issuing authority***

This subsection would amend section 235 (a)(4) of the act to extend OPIC's investment insurance and guaranty authority from June 30, 1974, to June 30, 1975, which is 1 year beyond the current fiscal year.

The Foreign Assistance Act of 1969, which was enacted December 30, 1969, authorized extension of the 25-year-old political risk insurance program and the extended risk guaranty program for 5 years from June 30, 1969, and provided for the establishment of the Overseas Private Investment Corporation to operate these programs. A 5-year extension of the insurance and guaranty programs was granted to provide a reasonable period for testing of the management of the programs by a public corporation and to determine the feasibility of further steps toward private management and financing of some or all of OPIC's services. This test period is due to expire at the end of the current fiscal year, June 30, 1974.

The committee extended the expiration date for 1 year but did not approve any of the numerous expanded authorities requested by the executive branch. This action was taken without prejudice to OPIC's requested expanded authorities. The committee does not believe that substantial changes in OPIC's legislative authorities should be made until the in-depth legislative oversight hearings by the Subcommittee on Foreign Economic Policy currently underway, as well as a General Accounting Office investigation and a study by the Library of Congress ordered by the committee, are completed. Without the results of these current studies it is difficult for the committee to arrive at any sound judgment regarding OPIC's future role in the development assistance field.

It is anticipated that the studies, when completed, will serve as a basis for amending OPIC's legislative authorities.

***Section 7(b)—Agriculture credit and self-help community development projects***

This section would extend the pilot agriculture credit guarantee program which expired on June 30, 1973, for an additional 2 years, to June 30, 1975.

This program was authorized by the Foreign Assistance Act of 1969 as an experiment to see whether U.S. Government guarantees of foreign private capital would help to make credit available, on reasonable terms, for small-scale community development projects in the developing countries. The pilot program was limited to five Latin American countries. Because extended initial planning was necessary, the program did not get started until 1971.

Two years' experience has shown that well-to-do individuals and banks in the selected countries of Latin America are not making funds available for such guaranteed lending because the cost of making small loans to new borrowers is high and results in lower profits than those associated with commercial loans to traditional customers. Because of this, OPIC has been focusing on a new approach to overcome these commercial limitations.

The new approach needs to be tested under controlled lending levels prior to implementation. It is estimated that at least 24 months will be required to complete this test period.

The committee believes that the developing countries should be assisted in their efforts to make credit available to communities and people who are now outside of normal credit channels. Therefore, this experimental program is being extended for 2 years to test OPIC's new approach.

#### SECTION 8—ALLIANCE FOR PROGRESS

##### *Authorization*

Although there is no specific authorization in this legislation for the Alliance for Progress, the executive branch's proposed level of assistance under the Alliance is not affected. The committee's action in deleting direct reference to the Alliance in the bill was designed to conform with the previous committee decision to adopt an important reform in the administration of foreign economic assistance. Under that reform, funds are authorized in section 2 by "sector" rather than according to a specific country or area.

##### *Partners of the Alliance*

This section authorizes appropriations of \$968,000 in each of the fiscal years 1974 and 1975 for grants to the National Association of the Partners of the Alliance, Inc. (NAPA) for administrative expenses and to supplement volunteer travel costs. NAPA is the administrative arm of a volunteer organization known as the Partners of the Americas. This people-to-people organization has carried out many impressive projects of mutual assistance and development which are funded through private contributions. The committee approves of these efforts and feels that continued governmental support of NAPA's administrative expenses is worthwhile.

#### SECTION 9—PROGRAMS RELATING TO POPULATION GROWTH

##### *Authorization*

This section amends section 292 of the act, relating to the authorization for population programs, by extending the earmarking provision for each of the fiscal years 1974 and 1975.

The authorization of funds for population planning and health has been provided in section 104 of chapter 1 of part I of the act. Because of the importance of population programs, the committee has again extended the earmarking provisions to assure the continued financial support at a level not less than the \$125 million specified in section 292.

#### SECTION 10—INTERNATIONAL ORGANIZATIONS AND PROGRAMS

##### *Section 10(a)—Independent review groups for international assistance institutions*

This section requires the President to actively seek the establishment of independent groups within the United Nations and its affiliated organizations, the World Bank and the Asian Development Bank, to review and evaluate the programs of these organizations. The President is further required to transmit to the Congress and the Comptroller General reports prepared by such groups.

The committee believes that the Congress should have more adequate assurance that the various programs of the United Nations, the World Bank, and the Asian Development Bank are given critical

review and that such review is reported to high enough levels to achieve the required attention. This provision will make it possible for the Congress and the Comptroller General to have access to audit reports on which a judgment can be made of the effectiveness and quality of the operations of these institutions.

***Section 10(b)—Authorization***

This section authorizes an appropriation of \$127,800,000 for fiscal year 1974 and the same amount for fiscal year 1975, for voluntary contributions to various international organizations and programs. This figure represents a \$3 million increase in the executive branch request in order to allow for a corresponding increase in the U.S. contributions to the United Nations Children's Fund.

The major portion of these funds is for the United Nations Development Program (UNDP) which serves as the focal point for all U.N. technical assistance activities.

These voluntary contributions are distinct from the assessed contributions which the United States makes to the regular budget of the United Nations. While the committee favors the proposed reduction to 25 percent in the U.S. rate of assessment for the regular U.N. budget, it also supports assurances given to other members of the United Nations by the United States at the United Nations General Assembly last year that this reduction would not be followed by U.S. efforts to cut back on voluntary contributions to special U.N. programs.

An arbitrary and permanent percentage ceiling on voluntary contributions would be a contradiction in terms. If these contributions are indeed to be voluntary, then the United States should maintain the present procedure of determining such amounts by having the administration and Congress review programs annually on a case-by-case basis according to the benefits that can be expected to flow to the United States.

In the case of the UNDP, contributions from other governments have increased by more than 46 percent since 1970. This has enabled UNDP to meet its annual goal of a 9.6 percent increase in total contributions in spite of percentage decreases in the U.S. contribution. In order that the UNDP may continue to improve its capacity in multilateral technical assistance, the committee considers it important for the United States to continue to provide adequate support for this worthwhile program.

***Section 10(c)—Indus Basin project***

This section authorizes an appropriation of \$15 million for fiscal year 1974 and the same amount for fiscal year 1975, for U.S. contributions to the World Bank—administered consortium which is financing the development of the Indus Basin project.

The committee approved the full executive branch request for this project because the U.S. grant to the Indus Basin Development Fund under the fiscal year 1973 continuing resolution has fallen short of requirements by \$8 million. The \$15 million authorized in this legislation will enable the U.S. Government to pay these overdue amounts as well as the World Bank's October 1973 call which is expected to be \$5.9 million. The \$1.1 million balance remaining will be used to meet a portion of the spring 1974 call.

**Section 10(d)—United Nations Children's Fund—(UNICEF)**

This section stipulates that, of the funds provided for international organizations and programs for fiscal years 1974 and 1975, \$18 million shall be available in each of the fiscal years only for contributions to the UNICEF.

The \$18 million earmarked for UNICEF in this subsection represents a \$3 million increase in the amount requested by the executive branch. In view of the fact that emergency demands on UNICEF resources have increased markedly over the past year, the committee feels this increase is justified.

**Section 10(e)—Technical and vocational training of Arab refugees**

This section authorizes an appropriation of \$2 million for fiscal year 1974 and the same amount for fiscal year 1975, for an additional contribution to the United Nations Relief and Works Agency (UNRWA) for expansion of technical and vocational training of Palestinian refugees.

At present, UNRWA operates 8 training centers which provide 4,258 places in courses of vocational and teacher training. This hardly accommodates the approximate 30,000 refugees who become available for such training each year. Additional contributions will be used to expand vocational training facilities to include more advanced courses and to modernize existing facilities.

The committee approves this additional contribution because such an expansion of the UNRWA program will help make available the skilled manpower needed throughout the Middle East, especially in the Israeli occupied territories, and in Jordan and the Persian Gulf. The committee also believes that this program contributes to building peace in the area by allowing refugees to become productive participants in the development process in the Middle East.

**SECTION 11—CONTINGENCY FUND****Section 11(a)—General authorization**

This subsection amends section 451 of the act, relating to contingency funds, by authorizing \$30 million for fiscal year 1974 and \$30 million for fiscal year 1975.

The amounts authorized are in line with AID's use of the contingency fund over the past several years and are considered sufficient by the committee to meet unforeseen developments or situations during this period.

Fiscal year	Authorized (in millions)	Used
1970 .....	\$30	\$28.0
1971 .....	30	29.0
1972 .....	30	30.1
1973 (estimated to June 15, 1973) .....	30	24.7

The use of the contingency fund is reported quarterly to the Congress during the fiscal year. Thus, Congress has an opportunity to evaluate these uses and determine that the fund has not been used to finance programs for which funds were previously denied or for requirements that were not bona fide contingencies.

***Section 11(b)—Authorization for disaster relief assistance***

As in the past, disaster relief and reconstruction assistance furnished under the contingency fund has been limited to short-term assistance designed to alleviate and repair the consequences of a natural or manmade catastrophe rather than providing for long-term development assistance.

Subsection (b) provides a permanent authorization for appropriations for disaster relief assistance in the case of extraordinary disasters of large magnitude. This authority would permit prompt appropriations of funds to meet emergency requirements in those cases where the assistance required is in excess of the amounts made available by the contingency fund or by other accounts.

In the past, in the case of extraordinary disaster, such as the hostilities in Bangladesh, the Congress has authorized and appropriated special amounts to meet the humanitarian needs arising from the disaster. A permanent authorization for appropriations to meet disasters of extraordinary magnitude would permit the United States to assist in emergency situations which require financial support beyond the limited amounts normally available for immediate response to such situations. Although the authorization is open ended, it could only be used in the case of extraordinary disaster situations, and, of course, would be subject to congressional action on a specific appropriation request for such disasters. The Committee on Foreign Affairs expects to be consulted in advance of the use of this special authority. Moreover, the committee will review any significant use of this authorization in the course of its normal oversight hearings.

***Definition of "related assistance"***

The amendment authorizes the appropriation of funds for "relief, rehabilitation, and related assistance in the case of extraordinary disaster situations." This language does not expand the present authority for AID to provide disaster relief and reconstruction assistance through the use of the contingency fund. The term "related assistance" refers to activities which are designed to alleviate and repair the consequences of a natural or manmade catastrophe, although in some extraordinary situations such assistance may result in long-term benefits to the recipient nation.

While this title provides a specific disaster relief authority, it is not intended to preclude the use of funds made available under other provisions of the Foreign Assistance Act in emergency situations.

**SECTION 12—INTERNATIONAL NARCOTICS CONTROL**

***Section 12(a)—Reports to Congress***

This section amends section 481 of chapter 8 of part I of the Foreign Assistance Act, relating to international narcotics control, by adding a new subsection (b).

The new subsection (b) requires the President to transmit quarterly and semiannual reports to the Congress on all aspects of U.S. international narcotics control programs and activities.

Subsection (b)(1) requires a report on the programming and obligations of funds not later than 45 days after the end of each calendar quarter.



Subsection (b)(2) requires semiannual reports not later than 45 days after the end of the second and fourth calendar quarter, giving complete and detailed data on all activities and operations carried out by the U.S. Government and relating to international narcotics control. The semiannual reports shall include, but shall not be limited to:

(1) The status of each agreement reached with any foreign country or international organization pertaining to narcotics matters;

(2) The aggregate of obligations and expenditures made, and the types and quantities of equipment delivered, to any foreign country or international organization receiving assistance from the United States for narcotics control purposes by country and by program. The reports shall include all of the costs, including all salaries and allowances of all indigenous and U.S. personnel engaged in international narcotics control programs being carried out by the United States.

The purpose of this amendment is to insure that the Congress will receive timely reports on all aspects of U.S. international narcotics control programs including the type and quantity of equipment provided, and to provide the executive branch with a valuable management tool for the administration of international narcotics control activities.

International narcotics control programs are of the highest priority in the United States. There is increasing cooperation from other countries. Expenditures for narcotics control assistance, and other programs relating to international narcotics control will be substantial over the next several years. If the Congress is to approve such programs, it is essential that it have the information required by this section.

#### **Section 12(b)—Authorization**

This subsection amends section 482 of the Foreign Assistance Act to authorize the appropriation of \$50 million for international narcotics control in each of the fiscal years 1974 and 1975. This is \$7.5 million more than the \$42.5 million requested for fiscal year 1974.

The program presented to the committee detailed the proposed international narcotics assistance program for only fiscal year 1974 and requested an open-ended authorization for fiscal year 1975. The committee was reluctant to approve an open-ended authorization and authorized a sum equal to the 1974 authorization in order to provide the executive branch with a 2-year authorization.

In increasing the authorization from \$42,500,000 to \$50 million in 1974, it is the intention of the committee that most, if not all, of the increase be expended on programs for Southeast Asia.

It is estimated that each year over half of the world's 900-1,210 tons of illicit opium is produced in the "Golden Triangle" area of Southeast Asia. An increasing amount of heroin is being smuggled into the United States from this area. In spite of the important role that the countries of Southeast Asia play in the illegal production of, and trafficking in narcotics, the executive branch has programed an inadequate sum of slightly over \$3 million for five countries as follows:

Laos	\$1, 500, 000
Indonesia	18, 000
Philippines	265, 000
Thailand	1, 114, 000
Vietnam	182, 000
Total	3, 079, 000

The committee is also concerned that international narcotics control programs may be underfunded elsewhere. Although 27 countries are programed to receive narcotics control assistance in fiscal year 1974, approximately 80 percent of the funds are scheduled to be used as follows:

Turkey.....	\$15,000,000
U.N. fund.....	5,000,000
Training.....	6,700,000
Unprogramed.....	9,700,000
<b>Total.....</b>	<b>36,400,000</b>

With the exception of Laos, Thailand, and Turkey, no other country is programed to receive more than \$375,000 for narcotics control assistance in 1974.

Following is the proposed 1974 program:

## INTERNATIONAL NARCOTICS CONTROL PROGRAM

(In thousands of dollars)

	Fiscal year 1972	Fiscal year 1973	Fiscal year 1974
<b>Total.....</b>	<b>20,637</b>	<b>20,500</b>	<b>42,500</b>
<b>Asia.....</b>	<b>18,576</b>	<b>9,971</b>	<b>18,504</b>
Afghanistan.....		60	300
Lebanon.....		65	75
Pakistan.....		5	50
Syria.....		8	
Turkey.....	15,700	5,000	15,000
Cambodia.....		24	
Indonesia.....		19	18
Laos.....	1,100	2,079	1,500
Philippines.....	230	300	265
Singapore.....		40	
Thailand.....	1,046	1,871	1,114
Vietnam.....	500	500	182
<b>Latin America.....</b>	<b>36</b>	<b>2,596</b>	<b>1,927</b>
Argentina.....		234	310
Bahamas.....			15
Barbados.....		5	12
Bolivia.....	17	147	4
Brazil.....		4	100
Chile.....		106	75
Colombia.....		51	238
Ecuador.....		308	300
Guyana.....			2
Jamaica.....		33	26
Mexico.....		1,305	375
Netherlands Antilles.....			3
Panama.....		48	20
Paraguay.....		50	22
Peru.....		143	250
Uruguay.....		140	135
Venezuela.....		22	40
Regional.....	19		
<b>Africa.....</b>			<b>50</b>
Tunisia.....			50
<b>International organizations.....</b>	<b>2,000</b>	<b>5,100</b>	<b>5,100</b>
U.N. Special Fund.....	2,000	5,000	5,000
Colombo plan.....		100	100
<b>Worldwide program costs.....</b>	<b>25</b>	<b>2,833</b>	<b>7,181</b>
Training.....	25	2,383	6,731
Interregional costs.....		450	450
<b>Unprogramed.....</b>			<b>9,738</b>

Foreign assistance programs for international narcotics control purposes are unique. Undertaking such programs, the United States is asking other countries to join in a mutual attack upon the illegal production of, and trafficking in, narcotics. If such assistance is effectively utilized, it will lessen the quantity of narcotics and other dangerous drugs entering the United States, thus benefiting the United States.

It is not the intention of the committee that the United States dispense narcotics control assistance unnecessarily. It should be noted that there is a limit to the amount of financial and material assistance that many of the countries of Southeast Asia, Latin America, and the Middle East can usefully absorb. U.S. narcotics assistance control programs should be based upon a realistic assessment of what can be effectively utilized. What can be utilized, however, should be made available immediately.

It is the judgement of the committee that the additional \$7.5 million authorized pursuant to this section, when combined with the \$9,700,000 which is unprogramed, will enable the Cabinet Committee for International Narcotics Control to formulate a realistic, adequate international narcotics control assistance program in fiscal year 1974.

In the event that the \$50 million authorized for fiscal year 1975 proves to be inadequate, the committee would be receptive to a request for additional funds contingent upon adequate justification for such any increase.

#### SECTION 13—COOPERATIVE ECONOMIC EXPANSION

This section amends the Foreign Assistance Act of 1961 by adding a new chapter 10—Cooperative Economic Expansion—which authorizes the President to use up to \$2 million of the funds available under part I of the act, to assist friendly countries, particularly those in which development aid has ceased or those not receiving prior assistance, in obtaining technical assistance from U.S. sources.

The assistance would be for experimental programs of (1) encouraging development of natural resources of interest to the United States, (2) encouragement of a favorable climate for trade and investment, and (3) stimulation of markets for U.S. exports.

The area of emphasis in the use of the funds would be certain countries in the Near East and the Persian Gulf, Venezuela, Iran, and others which are "aid graduates" or have never received U.S. assistance.

By encouraging the furnishing of technical services from U.S. public or private agencies and individuals to countries which suffer from a shortage of technical capabilities, the United States will be serving its own interests as well as development purposes.

The programs would differ from traditional technical assistance because they would:

- (1) Place a greater emphasis upon activities which have the potential for building opportunities for U.S. exports, stimulating the local private sector, and developing needed natural resources;
- (2) Be conducted in countries which in other respects may be considered developed; and
- (3) Be designed to make American technical know-how available to recipients at costs competitive with those charged by other developed countries for such services.

The amendment is also intended to make clear that programs of experimentation which it contemplates would not be considered assistance to countries within the meaning of section 211 or any other section of the act.

Further, the section would allow the subsidizing or "topping off" of salaries of personnel, either private citizens or public officials, serving with international organizations or foreign governments.

#### SECTION 14—MILITARY ASSISTANCE

##### **Section 14(a)—Authorization**

This subsection amends section 504(a) of the Foreign Assistance Act to authorize \$550 million for grant military assistance—a reduction of \$102 million below the executive request of \$652 million.

There was no military assistance authorization for fiscal year 1973. The appropriation for military assistance, including training costs, in fiscal year 1973, was \$553.9 million pursuant to continuing resolution authority.

The fiscal year 1974 authorization does not include funds for military assistance for Laos or South Vietnam which are funded in the Department of Defense budget, nor does it include any funds for military education and training. For the first time, education and training funds are authorized in a separate section of the bill.

Although the number of countries which may receive military assistance (other than training in the United States) is limited by law to 40, the executive branch has proposed grant military assistance to only 20 countries in fiscal year 1974.

The primary role of the grant military assistance program is to supply arms and equipment to friendly foreign countries to fill the gap between what they need to provide for their own security and what they are able to finance with their own resources.

##### ***The fiscal year 1974 program***

The Executive requested an authorization for the appropriation of \$652 million in new obligational authority to fund items that can only be obtained from new procurement, or for replacement of equipment supplied from normal DOD stocks. This \$652 million, together with reappropriation, recouplements, reimbursements, and other transfers totaling \$119.5 million, was expected to finance an overall grant military assistance program of \$771.5 million in fiscal year 1974. The proposed fiscal year 1974 program is compared with the fiscal year 1972 and fiscal year 1973 programs in the following chart:

MILITARY ASSISTANCE PROGRAM, FISCAL YEARS 1972-73

[In millions]

	1972	1973 as requested of Congress	1973 as of Jan. 23, 1973	Proposed 1974
New obligational authority.....	\$500.6	\$780.0	\$553.1	\$652.0
Other availabilities.....	51.6	39.7	35.7	119.5
Unobligated.....	-2.3			
Military Assistance Programs.....	549.9	819.7	588.8	771.5

The projected country-by-country grant military assistance program including supply operations costs (packing, crating, handling and

## GRANT MILITARY ASSISTANCE (MATERIEL)

[In thousands of dollars]

	Fiscal year 1972			Fiscal year 1973			Fiscal year 1974		
	Materiel	Supply opera- tions	Total	Materiel	Supply opera- tions	Total	Materiel	Supply opera- tions	Total
East Asia and Pacific:									
Cambodia.....	168,397	9,719	178,116	128,560	13,400	141,960	167,194	13,500	180,694
Indonesia.....	14,670	1,092	15,762	14,700	1,000	15,700	20,826	2,200	23,026
Korea.....	131,472	16,445	147,917	117,211	16,700	133,911	238,789	22,500	261,289
Philippines.....	11,755	1,211	12,966	14,683	1,100	15,783	19,269	2,100	21,369
Thailand.....				34,063	2,100	36,163	55,762	2,700	58,462
Regional costs.....							28,300		28,300
Subtotal.....	326,294	28,467	354,761	309,217	34,300	343,517	530,140	43,000	573,140
Prior year program cost: Republic of China.....	3,634	6,306	9,940	2,099	7,000	9,099	15,700		5,700
Total.....	329,928	34,773	364,701	311,316	41,300	352,616	530,140	48,700	578,840
Near East and South Asia:									
Jordan.....	35,694	1,757	37,451	32,132	2,000	34,132	35,632	3,900	39,532
Turkey.....	45,682	12,955	58,617	56,717	10,560	67,277	85,501	12,500	98,001
Total.....	81,356	14,712	96,068	88,849	12,560	101,409	121,133	16,400	137,533
Prior year program cost: Greece.....	1,443	7,564	9,007	791	5,100	5,891			
Total.....	82,799	22,276	105,075	89,640	17,660	107,300	121,133	16,400	137,533
Europe:									
Portugal.....	618	69	687	442	80	522	323	100	423
Spain.....	8,621	1,452	10,073	8,227	700	8,927	3,026	2,000	5,026
Region.....	80		80	100		100			
Total.....	9,319	1,521	10,840	8,769	780	9,549	3,349	2,100	5,449
Africa:									
Ethiopia.....	9,019	659	9,678	7,736	600	8,336	10,454	1,200	11,654
Tunisia.....	925	527	1,452	1,451	300	1,751	2,476	100	2,576
Total.....	9,944	1,186	11,130	9,187	900	10,087	12,930	1,300	14,230
Prior year program cost: Liberia.....	62	25	87	83	20	103			
Total.....	10,006	1,211	11,217	9,270	920	10,190	12,930	1,300	14,230
Latin America:									
Bolivia.....	2,800	270	3,070	3,036	300	3,336	3,996	250	4,246
Dominican Republic.....	319	25	344	33	70	103	796	70	866
El Salvador.....					15	15	400	40	440
Guatemala.....	1,201	115	1,316	298	150	448	1,080	100	1,180
Honduras.....					20	20	400	30	430
Nicaragua.....	307	10	317	64	40	104	1,023	40	1,063
Panama.....	223	25	248	239	25	264	230	20	250
Paraguay.....	316	25	341	203	50	253	550	50	600
Uruguay.....	414	30	444	288	130	398	1,000	100	1,100
Regional.....							525		525
Total.....	5,580	500	6,080	4,141	800	4,941	10,000	700	10,700

<sup>1</sup> Cost of supply operations for materiel ordered in previous years. No MAP materiel is programmed for the Republic of China in fiscal year 1974.

The bulk of the program, \$682,373,000, has been allocated to seven countries: Cambodia, Korea, Thailand, Indonesia, the Philippines, Jordan, and Turkey.

The committee reduced the authorization for grant military assistance by approximately 15 percent.

The committee recognizes that if U.S. foreign policy objectives are to be achieved and U.S. troop levels abroad reduced, it is essential that sufficient funds be provided to friendly foreign countries and allies to enable them to obtain defense articles and services necessary to provide for their internal and external security.

At the same time, it must be recognized that the United States faces serious economic and financial problems domestically and internationally. The U.S. balance of payments is in deficit and the dollar is under persistent pressures abroad. Under the circumstances, it would not be consistent with the overall national interest to authorize funding of grant military assistance programs at the requested level.

The committee believes that an authorization of \$550 million, together with recoupments, reimbursements, and reappropriations of \$50 million and \$185 million of excess defense articles (at legal value) should be sufficient to continue an effective military assistance program in fiscal year 1974.

***Section 14(b)—Special authority***

This section amends section 506(a) of the act by renewing for another year the authority of the President, when he determines it to be vital to the security of the United States, to order defense articles from Department of Defense stocks, and defense services, to carry out the purposes of part II of the act, subject to subsequent reimbursement from military assistance funds. As in prior years, this authority is limited to \$300 million in fiscal year 1974 and prompt notice of action taken under this section is required to be given to the Congress.

The Executive requested that this authority be extended without a fiscal year limitation.

The committee is convinced that this authority should be subject to annual review and approval by the Congress and has authorized the extension of this authority for the fiscal year 1974 only.

***Section 14(c)—Military assistance to Laos and South Vietnam***

This subsection amends section 513 of the act and requires that after June 30, 1974, all military assistance to Laos and South Vietnam shall be funded out of the regular military assistance program as authorized under the Mutual Development and Cooperation Act or the Foreign Military Sales Act.

Military assistance for South Vietnam has been funded from the Department of Defense budget since 1966 and for Laos since 1967. For fiscal year 1974 the Department of Defense initially requested \$1.87 billion for these two countries. Due to the reduction in hostilities, the committee is informed that the currently projected program is \$1,085,300,000 for South Vietnam and \$100 million for Laos.

When funding for these two countries was transferred to the Department of Defense budget, the Indochina war was in progress and the exigencies of the situation justified the transfer of military assistance funding to the Department of Defense. That situation has changed. Cease-fire agreements have been reached in South Vietnam and Laos, and the provisions of those agreements place a limit on the amount of defense articles that can be provided. For example, article 7 of the Vietnam cease-fire agreement states that parties shall be permitted to make--

periodic replacement of armaments, munitions and new materials which have been destroyed, damaged, worn out or used up after the ceasefire, on the basis of piece by piece, of the same characteristics and properties, under supervision of the Joint Military Commission of the two South Vietnamese parties and of the International Commission of Control and Supervision.

In the case of Laos, article 3(d) of the cease-fire agreement states:

It is forbidden to bring into Laos all types of military personnel, regular troops and irregular troops of all kinds and all kinds of foreign made weapons or war material, except for those specified in the Geneva Agreements of 1954 and 1962. In case it is necessary to replace damaged or worn out weapons or war materials, both sides will consult and arrive at an agreement.

Thus, the basic justification for carrying military assistance for these two countries in the Defense Department budget no longer exists.

The furnishing of military assistance in any form is an important tool of foreign policy. Legislative responsibility for approving such programs must rest with the committees of the Congress which have jurisdiction over foreign policy matters.

In the event that the cease-fire agreements break down and it becomes necessary to provide substantial quantities of defense articles to either South Vietnam or Laos, the President can exercise the draw-down authority continued in section 506(a) of the act. This was done in 1965, when the President provided \$75 million to South Vietnam, and again in 1966 when the full amount of \$300 million in defense articles was drawn from Department of Defense stocks subject to subsequent reimbursement from military assistance funds. The draw-down authority enables the President to meet any contingency that may develop in either South Vietnam or Laos.

#### ***Section 14(d)—Local currency deposits***

This subsection repeals section 514 of the act which requires recipients of grant military assistance, including excess defense articles, to deposit in local currency an amount equal to 10 percent of the value of such assistance for use by the United States to pay its official local currency costs in that country.

Section 514 was included in the Foreign Assistance Act of 1971 which became effective February 7, 1972. The committee has been informed that its implementation has created substantial difficulties with a number of countries with whom the United States has had long-standing and mutually beneficial security arrangements. For example, Korea is required to set aside \$20 million out of its total defense budget of \$360 million. The impact of this requirement limits severely Korea's efforts to modernize its armed forces—a program that the United States has committed itself to support. The committee was also advised that, as a practical matter, the value of local currency contributions, office space, military housing and installations contributed by countries receiving military assistance, in the aggregate exceeds what we would expect to receive under the deposit requirements. Accordingly, the committee recommends repeal of this requirement.

#### **SECTION 15—SECURITY SUPPORTING ASSISTANCE**

This section amends section 532 of the Foreign Assistance Act to provide an authorization of \$125 million for security supporting assistance in fiscal year 1974. Of this amount, \$50 million is specifically earmarked for Israel.

The Executive request was for new obligational authority of \$100 million to finance a security supporting assistance program of \$124,055,000 in fiscal year 1974.

In fiscal year 1973, the Congress appropriated \$600 million for such programs pursuant to continuing resolution authority. The sharp

reduction in supporting assistance funds requested for fiscal year 1974: results from the fact that programs for South Vietnam, Cambodia, and Laos (\$632 million) are being treated separately in another section of this bill.

Security supporting assistance is the third major component of international security assistance and is administered by the Agency for International Development. Such programs further economic or political stability in nations threatened by significant security problems. Since they involve economic assistance, they normally also contribute to economic growth and development of the recipient countries. Their major objective, however, is to stabilize the economic or political situation in a special security framework.

The Executive programed \$25 million in security supporting assistance for Israel in fiscal year 1974. In each of the fiscal years 1972 and 1973, the United States furnished \$50 million to Israel. These funds were used to provide general budget and balance-of-payments support.

The committee increased the authorization for supporting assistance from \$100 million to \$125 million and earmarked \$50 million for Israel to insure that Israel's economic situation will not deteriorate as a result of exceptionally heavy defense expenditures.

The fiscal year 1974 security supporting assistance programs as revised by the committee follow:

SECURITY SUPPORTING ASSISTANCE  
(In thousands of dollars)

	Fiscal year—		
	1972	1973	1974
Thailand.....	14,840	13,000	15,000
Philippines.....		50,000	
Israel.....	50,000	50,000	25,000
Jordan.....	40,000	50,000	65,000
Malta.....		14,400	9,500
Spain.....		3,000	3,000
Africa region.....	3,700		
U.N. Forces Cyprus (UNFICYP).....	2,400	2,400	4,200
Interregional support costs.....	1,506	1,958	2,355
Subtotal.....	112,446	184,758	149,055
Indo-China program.....	480,779	443,133	(1)
Total.....	593,225	627,891	149,055
Less other availabilities for obligation.....	43,225	27,891	24,055
New obligational authority.....	550,000	600,000	125,000

(1) \$632,000,000 in fiscal year 1974 requested separately under Indochina Relief and Reconstruction.

## SECTION 16—INTERNATIONAL MILITARY EDUCATION AND TRAINING

### Section 16(a)—Authorization and purpose

This section adds to part II of the act a new chapter which establishes a program of international military education and training, separate and distinct from the military assistance program, and authorizes the appropriation of \$30 million for this program for fiscal year 1974. In fiscal year 1973, the Department of Defense programed \$34,639,000 out of the regular grant military assistance appropriation for such programs.

Section 541 contains a statement of the chapter's purpose, which emphasizes the differences between the objectives of this new program and those of the military assistance program.



Section 542 authorizes the President to provide military education and training by grant, contract, or otherwise and describes the kind of activities that can be engaged in under this chapter. These activities include attendance by foreign military personnel and related civilians at United States and foreign military facilities for education or training purposes. International military educational facilities, such as those under NATO auspices, are included. Also permitted is attendance by foreign personnel at pertinent courses of instruction at nonmilitary public and private educational and research institutions. In addition, observation and orientation visits by foreign military and related civilian personnel would be authorized under this chapter. Finally, section 542 provides for other activities to further the purposes of the chapter, such as the furnishing of noncombat military training instructors, media aids, and publications.

Section 543 authorizes the appropriation of funds for military education and training programs in fiscal year 1974. The executive branch requested an open-ended authorization and budgeted \$33 million for such programs. The committee reduced this amount by \$3 million and authorized a line item appropriation of \$30 million. These funds will be used to provide training to 43,282 foreign military students. Of this number, 3,464 will be trained in the United States and 39,818 will receive overseas training. Of the total number, 37,445 are expected to be Cambodians. Consequently, if the situation in Cambodia should change in such a way as to limit the need and the opportunity for U.S. training of Cambodian military personnel, the committee expects that a significant part of this authorization will not be used.

Section 544 requires the President to submit annual reports to the Congress concerning activities carried on and obligations incurred for international military education and training on a country by country basis.

***Section 16(b)—Conforming amendments to the Foreign Assistance Act***

This subsection amends the act to eliminate all references to training from chapter 2 of part II, which deals with military assistance, because military education and training programs will no longer be conducted as military assistance. Thus, for example, statutory requirements and restrictions applicable to "military assistance" (e.g. section 514, section 653, etc.) would *not* be applicable to military education and training programs under this chapter. The subsection also amends part III of the act, containing general, administrative, and miscellaneous provisions, to clarify the application of those provisions to the new chapter on international military education and training. The specific amendments made by this subsection are as follows:

(1) This provision deletes the references to training or advice from section 503(d) of the act, which authorizes the assignment of members of the U.S. Armed Forces to noncombatant duties.

(2) This provision deletes the exclusion of "training only" countries from the 40-country limitation on the number of countries that may receive military assistance, contained in section 504(a) of the act.

(3) This provision repeals the restriction on the number of foreign military students that may be trained in the United States. According to section 510 of the act, this number cannot exceed in any fiscal year the number of civilians brought to the United States in the previous fiscal year under the Mutual Educational and Cultural Exchange Act of 1961.

(4) This provision makes clear that the roles of the chief of the U.S. diplomatic mission and of the Secretary of State with respect to international military education and training will be the same as they are for military materiel assistance programs. This is achieved by inserting a reference to military education and training after the reference to military assistance in subsections (b) and (c) of section 622 of the act.

(5) This provision extends the supervisory responsibilities of the Secretary of Defense under section 623(a)(4) of the act to military-related civilian personnel, consistent with the scope of the new chapter on international military education and training. It also makes the supervisory responsibility of the Secretary of Defense over Department of Defense functions relating to military assistance expressly applicable to military education and training as well.

(6) This provision makes the provisions of section 632 of the act, concerning reimbursement among agencies, expressly applicable to military education and training in the same manner as that section applies to military materiel assistance.

(7) This provision amends section 636(g) of the act to insure that part II funds are available for administrative, extraordinary, and operating expenses incurred in furnishing military education and training. It also makes part II funds available for reimbursement of expenses of military-related civilian personnel in connection with orientation visits, consistent with the scope of the new chapter on international military education and training.

(8) This provision modifies the definition of defense service in section 644(f) of the act so as to exclude references to training. By this change, the authority to furnish training as military assistance under chapter 2 of part II of the act will be terminated. In addition, the definition of training formerly included within the definition of defense service is made a separate subsection, subsection 644(n), which will apply to the new chapter on international military education and training. The changes made by this provision are not intended to affect the sale of training as a defense service under the Foreign Military Sales Act.

#### ***Section 16(c)—Preservation of existing actions***

This subsection makes clear that the amendments to the act affected by this section will not call into question the continuing validity of actions taken prior to the enactment of this bill under authority of any provision amended or repealed by this section, such as regulations and contracts.

#### ***Section 16(d)—Interim funding***

This subsection authorizes funds heretofore made available for activities which will be funded in the future under the new international military education and training chapter to be obligated and expended either in accordance with the originally applicable authority or under the new authority.

### **SECTION 17—GENERAL PROVISIONS**

#### ***Section 17(a)—Expropriation***

This subsection repeals paragraph 1 of section 620(e) of the Foreign Assistance Act of 1961, relating to expropriation, the so-called Hickenlooper amendment.

It is the considered judgment of those who are primarily charged with the conduct of U.S. foreign policy in those areas where expropriations are taking place that the language of this act has proven to be so restrictive that it has denied the President the needed flexibility to effectively assist U.S. companies in defending their interests when they have been expropriated.

The problem posed by this provision of the law is that it has attempted to deal in a blanket fashion with diverse situations. Since its enactment in 1962 this provision has proved unworkable and ineffective. In fact, it has been invoked on only one occasion. Despite its existence, there have been numerous expropriations, especially in Latin America. Rather than discouraging expropriations, this provision of law is regarded as having produced contrary results.

The committee believes that the striking of the Hickenlooper amendment would in no way result in denying the United States the opportunity and the flexibility to invoke retaliatory action with regard to our assistance programs if the President and the State Department felt that such an approach would bring about just compensation to expropriated companies by way of negotiations.

The committee further believes that the existing provision forces the United States to take action in a commercial dispute without a full assessment of the evidence and the possibility that a foreign government may be responding to a serious provocation. If, indeed, a foreign government has acted in response to an illegal act of a U.S. company, the American people should not be required to forfeit mutually valuable foreign policy relationships with that country.

Finally, the committee is advised that those most directly involved with the issue of expropriations—the U.S. business community—have spoken out strongly in opposition to the continuation of this provision. For example, the board of trustees of the Council of the Americas, which is composed of the 200 major U.S. companies which represent 90 percent of U.S. direct investment in Latin America, has urged that this provision be eliminated.

Therefore, the committee recommends the deletion of this provision.

***Section 17(b)—Prohibitions against furnishing assistance***

This section amends section 620(n) of the act relating to prohibitions against furnishing assistance to countries trading with North Vietnam. The amendment authorizes the President to waive the prohibitions of section 620(n) when he finds that such waiver is in the national interest and reports such finding to the Congress within 30 days.

***Section 17(c)—Seizure of U.S. fishing vessels***

This section repeals section 620(o) of the Foreign Assistance Act which requires that:

In determining whether or not to furnish assistance under this Act, consideration shall be given to excluding from such assistance any country which hereafter seizes, or imposes any penalty or sanction against any United States fishing vessel on account of its fishing activities in international waters.

The committee also repealed the restrictive provisions relating to the seizure of U.S. fishing vessels in the Foreign Military Sales Act and in the Fishermen's Protective Act of 1967.

To date, 10 Latin American countries claim sovereignty or exclusive jurisdiction over the waters or resources off their coast to a distance of 200 miles. These claims are representative of the threat

to freedom of navigation and the potential conflict over rights to ocean resources which led the President, in May 1970, to conclude that existing law of the sea is inadequate and to call for all nations to resolve the disputed issues.

A new Law of the Sea (LOS) Conference has been scheduled by the U.N. General Assembly for 1973-74. Intensive negotiations are underway on treaty articles covering such major subjects as fisheries, a regime for the seabed, territorial seas, straits used for international navigation, marine pollution, and oceanographic research.

Pending an LOS Conference settlement, the committee believes fisheries disputes can and should be resolved through interim arrangements which do not prejudice LOS positions of either sides. This approach has resulted in a bilateral conservation agreement with Brazil on shrimp.

In the case of the tuna fishing conflict with Ecuador and Peru, section 620(o) and other such restrictive legislation have not prevented U.S. fishing vessel seizures by those two countries. To date, the total cost of fines and license fees assessed against U.S. fishing vessel owners has reached close to \$7 million. Experience has shown that these countries do not wish to appear to be bowing to U.S. pressure implied by a cutoff of assistance. As a result, when the U.S. Government has applied sanctions, the governments concerned have often reacted against other U.S. interests. For example, when military sales to Ecuador were suspended, the effects were an expulsion of the U.S. military mission, a refusal to negotiate the fishing issue any further, and continuation of the seizures.

In sum, the committee believes that the prospects for a negotiated interim settlement of fishing disputes as well as for a satisfactory LOS Conference would be considerably brighter in the absence of legislative sanctions. In addition, the threat of a negative reaction against other U.S. economic and political interests would be lessened by the removal of such legislation.

#### SECTION 18—EMPLOYMENT OF PERSONNEL

This section amends section 625 of the Foreign Assistance Act, relating to employment of personnel, by adding a new subsection (k). The new subsection authorizes the participation in the Foreign Service Retirement and Disability System of certain categories of AID Foreign Service personnel.

Under existing law all AID employees, both domestic and Foreign Service, are participants in the Civil Service Retirement and Disability Fund. On the other hand, Foreign Service personnel of the Department of State and of the U.S. Information Agency are participants in the Foreign Service retirement system. That system provides more favorable conditions for retirement to compensate for some of the personal difficulties arising from overseas service. It has several advantages over the Civil Service provisions:

(1) Foreign Service personnel may retire at age 50 with 20 years of service without penalty while Civil Service personnel may retire at age 55 with 30 years of service without penalty.

(2) Foreign Service annuities are calculated at 2 percent of the highest 3-year base. Civil Service annuities are also calculated on the highest 3-year base but on a graduated scale of 1½ percent for the first 5 years, 1¼ percent for the next 5 years, and 2 percent for all years of service over 10.

Paragraph (k)(1) designates the categories of personnel serving in AID who would participate in the Foreign Service Retirement System. The major categories are Foreign Service Reserve officers and Foreign Service staff officers and employees serving under unlimited appointments. Based upon current personnel strength, about 2,500 individuals would be transferred from the Civil Service Retirement System to the Foreign Service Retirement System. Although existing law limits participation by Foreign Service Staff personnel to those with 10 years prior service, the Department of State is seeking an amendment that would bring all such personnel in the Department and in USIA into the Foreign Service System without regard to a 10-year period. Thus the amendment proposed in this paragraph is consistent with the proposed legislation.

Paragraph (k)(2) provides that persons who become participants in the Foreign Service Retirement System shall make a special contribution to the Foreign Service Retirement and Disability Fund in accordance with section 852 of the Foreign Service Act of 1946. This means that, upon transfer from the Civil Service Retirement System to the Foreign Service Retirement System, the previous contributions made by the individual into the former fund will be transferred to his account in the Foreign Service fund. At present, employee contributions to both retirement systems are 7 percent of their salary. In each case, this is matched by the employing agency.

Paragraph (k)(3) provides for the application of section 636 and of title VIII of the Foreign Service Act of 1946. Section 636 permits voluntary retirement of a participant who is at least 50 years of age and has 20 years of service. Title VIII details the computation and the conditions of retirement.

Paragraph (k)(4) continues a participant's coverage under the Foreign Service Retirement System whenever such participant might be assigned to a position not covered by the system. This authority is similar to that contained in section 571(b) of the Foreign Service Act of 1946.

Paragraph (k)(5) is a transitional provision that will permit older employees to make the necessary preparations for retirement. It provides for the gradual retirement over a 7-year period of participants in the system who are above the Foreign Service mandatory retirement age at the time they became participants in the system. It is similar to the formula used when staff personnel of the Department of State and USIA Foreign Service personnel were transferred to the Foreign Service Retirement System. A proviso exempts Presidential appointees confirmed by the Senate, while so serving, from the otherwise applicable mandatory retirement age. It is estimated that of the 2,500 AID Foreign Service personnel who would come under the Foreign Service Retirement System about 625 would qualify for immediate retirement.

Paragraph (k)(6) provides that the President may, whenever he deems it to be in the public interest, extend any participant's service for a period not to exceed 5 years after the mandatory retirement date for such participant. It is anticipated that this authority will be delegated to the Administrator, AID. A comparable provision in the Foreign Service Act permits the Secretary of State to extend the services of a Foreign Service officer for a period not to exceed 5 years after compulsory retirement.

Paragraph (k)(7) provides that the subsection will become effective on the first day of the first month which begins more than 1 year after the date of enactment but an eligible participant may elect to become a participant before that date. It also provides that a participant who on the effective date of this subsection is age 57 or over may retire voluntarily at any time before the mandatory retirement date set forth in paragraph (5) above.

Paragraph (k)(8) provides that an AID participant in the Foreign Service Retirement System who is separated for cause shall be entitled to the benefits set forth in subsections 637 (b) and (d) of the Foreign Service Act of 1946, as amended. These provide either a lump-sum refund of the participant's contributions or a deferred annuity. This paragraph also provides that the selection-out authority contained in subsection 625(e) of the Foreign Assistance Act shall apply to AID participants in the Foreign Service Retirement System rather than the selection-out authority contained in the Foreign Service Act of 1946, as amended.

AID operates only in the less developed countries. Hence its Foreign Service personnel spend almost their entire working years in posts that are designated hardship posts. The transfer of its personnel to the Foreign Service Retirement System should encourage those who meet the age and service requirements to seek earlier retirement. The inclusion of such personnel in the Foreign Service Retirement System does not create a permanent foreign assistance career service and does not prejudice any future action that the Congress or the Executive Branch may wish to take with respect to the foreign assistance program.

#### SECTION 19—REPORTS AND INFORMATION

##### *Debt status and relief reports*

This section amends section 634 of the act relating to reports and information, by adding two new subsections calling for additional reporting.

Subsection (f) provides for comprehensive semi-annual reports showing as of June 30 and December 31 of each year the status of all outstanding obligations owing to the United States and potential liabilities under insurance and contracts of guarantees and loans and other credits resulting from transactions under this act; the Foreign Military Sales Act, the Agriculture Trade Development and Assistance Act of 1954; and the Export-Import Bank Act of 1945. The status report is limited to those outstanding balances on individual items which exceed \$1 million.

Subsection (g) provides for comprehensive annual reports not later than January 31 of each year detailing the worldwide dimensions and impact of the debt servicing problems among the developing aid receiving countries along with specific debt relief measures granted by the United States to these countries. It also provides for summary and detailed reports dealing with the impact of debt relief measures upon the availability of U.S. aid resources for such countries and detailed analysis as to the net aid flow where debt relief has been granted during the reporting period.

In an ever-increasing number of developing countries, external public debt has become a heavy burden on further economic growth. The GAO has reported that, by December 1970, 80 developing

countries had accumulated over \$66 billion of external debt. At the same time, debt service payments increased by about 18 percent, reaching nearly \$6 billion annually.

The committee believes that due to this growing importance of the developing countries' debt service burden and the increase of debt relief measures, Congress must be well informed with respect to the relationship of debt-servicing problems, debt relief and economic assistance. It should also be noted that Congress may well be required to authorize future debt-relief arrangements to the developing countries. The report required by this provision would be a useful aid to Congress for these purposes.

#### SECTION 20—ADMINISTRATIVE EXPENSES

This section amends section 637 (a) of the act relating to administrative expenses by deleting the authorization of \$50 million for each of fiscal years 1972 and 1973 and inserting an authorization of \$53,100,000 for each of fiscal years 1974 and 1975.

The authorization of \$53,100,000 together with unobligated funds carried over, reimbursements, and transfers from other AID appropriations will provide an estimated availability of \$57,875,000 for fiscal year 1974 for administrative expenses. This sum represents about one-third of the operating expenses of the Agency. The balance is funded from the major program appropriations and from non-appropriated funds available to the Agency, such as the housing guaranty, excess property programs, and foreign currency trust funds contributed by host countries.

#### SECTION 21—FAMINE AND DISASTER RELIEF AND AFRICAN SAHEL DEVELOPMENT PROGRAM

This section amends chapter 2 of part III of the act, relating to miscellaneous provisions, by rewriting section 639 and adding two new sections providing assistance to African Sahel.

##### *General authorization*

**Section 639** of the act was rewritten to permit the furnishing of famine or disaster relief notwithstanding the provisions of the act or any other law.

**Section 639** of the act provides that "no provision of this act shall be construed to prohibit assistance to any country for famine or disaster relief". The proposed amendment would change this section slightly to permit the furnishing of such assistance notwithstanding provisions of the act or any other law. The change is proposed to give the President greater flexibility in carrying out programs of famine and disaster relief.

In its present form, section 639 permits famine and disaster relief assistance in cases in which it would otherwise be prohibited. The section recognizes that humanitarian concerns in such cases override the political considerations which, in some circumstances, would prevent the conduct of ordinary assistance programs.

The purpose of this provision is to facilitate humanitarian activities where normal operating procedures would unduly curtail them. Thus, for example, the provisions of the Merchant Marine Act of 1936 requiring transportation by American-flag carriers would not apply in

disaster situations when their use would result in delay in alleviating the consequences of the disaster. Similarly, the new authority would eliminate delays encountered (for instance, in Biafra and Bangladesh) in responding swiftly and effectively to disaster situations because of the necessity of complying with such sections of the act as 636(i), relating to vehicle procurement and section 604, establishing rules applicable to ordinary procurement activities.

Statutory requirements and regulations would, of course, continue to apply to ordinary economic assistance furnished under the act, and the new authority would be utilized only when assistance was being provided in famine or disaster situations and compliance would interfere with prompt and adequate administrative response.

***African Sahel famine and disaster relief***

**Section 639A(a)** would affirm Congress' support for the U.S. Government response in providing famine and disaster relief assistance to the Sahelian nations of Africa.

**Section 639A(b)** authorizes the appropriation of \$30 million to remain available until expended, for emergency and recovery needs of the drought-stricken Sahelian nations.

The \$30 million authorized by this amendment is the initial estimate of needs for relief, rehabilitation, and related assistance. Any additional appropriated funds subsequently needed for these purposes would be requested under the disaster relief authorization provided by section 11(b) of this bill as an amendment to section 451(a) of the act.

During the past 5 years, the drought in the Sahel region has become increasingly severe. The sub-Sahara African countries most affected are Chad, Mali, Mauritania, Niger, Upper Volta, and Senegal. About 25 million people, mostly nomads and migrants, live in these six countries. An estimated one-third of them are suffering from hunger and malnutrition, and millions of cattle, goats, and sheep have already died of thirst and starvation.

The United States and other international donors have been focusing on the immediate short-term assistance to the affected areas over the past year. Assistance by the United States up to the end of July 1973 totals about \$24 million, \$21 million of which was in the form of delivered food grains.

The committee believes, however, that this is an appropriate time for the United States and other donors to join in with the affected countries to begin planning for the medium- and long-term reconstruction and development of the area. This authorization will allow the initiation of such a program.

***African Sahel development program***

**Section 639B** reflects the Congressional endorsement of the long-term planning for the preservation and development of the Sahel region in cooperation with the United Nations and other international and regional organizations.

**SECTION 22--COORDINATION**

This section directs the President to establish a Development Coordination Committee to advise him with respect to U.S. policies and programs, bilateral as well as multilateral, affecting the development of the low income countries.



This would be a statutory body, chaired by the Administrator of the Mutual Development and Cooperation Agency (MDCA). Its membership would include officials of the Departments of State, Treasury, Commerce, and Agriculture, the Executive Office of the President, and others as designated by the President.

The committee would operate under the foreign policy guidance of the Secretary of State.

The President would be required to report annually to the Congress on U.S. actions affecting the development of the low-income countries, through one of the already existing annual reports.

At the present time, U.S. policies and programs having international economic implications are coordinated by two different bodies. One is the National Advisory Committee on International Monetary and Financial Policies (NAC) which was established by Executive order and is chaired by Treasury. Its preoccupations center on international monetary and financial issues. AID is not a member of NAC.

The other is the Council on International Economic Policy (CIEP), in the Executive Office of the President. This Council operates under a statute which expires June 30. AID is not a member.

Neither of these two bodies is development-oriented. While both of them submit written annual reports, neither of those reports deal now in a comprehensive manner with the whole range of U.S. development-oriented activities.

The need for more effective review and coordination of U.S. development-related undertakings is clear. These programs are conducted under several statutes, by several departments. At times, each of them has seemed to be going in a different direction.

AID is the only U.S. agency which is primarily concerned with development. It (and the successor agency, MDCA) ought to play a more important role than it does now in coordinating these U.S. programs.

As a result of discussions with the executive branch, the committee wishes to emphasize several points about the Development Coordination Committee:

(1) It is left to the President to determine which officials in the executive branch should serve on the committee, in addition to the MDCA administrator, who would chair it.

(2) The report from the President need not be a separate report but may be included in the NAC, CIEP, or State Department annual report, as the President shall determine.

(3) To the extent that information necessary for the report prescribed in this section overlaps with material heretofore provided under title XI or section 621A, it may be omitted from reports required by the latter two provisions.

#### ***Section 640C—Shipping differential***

This section authorizes the use of funds made available in chapter 1 and part VI of the act to make grants to defray the freight differential between U.S.- and foreign-flag vessels on cargoes financed under the Mutual Development and Cooperation Act.

The purpose of the section is to encourage the use of U.S.-flag vessels, in compliance with the 50-percent requirement of section 901(b) of the Merchant Marine Act of 1936.

The grants authorized here would cover this difference between U.S.- and foreign-flag freight costs and would relieve the importing country and end user of bearing this added cost.

This provision also covers the Export Development Credit Fund under part VI.

It also serves to identify that payments under the 50-50 shipping requirement of the differential between U.S.-flag and foreign-flag vessels do not constitute assistance to a country but are in the nature of support for the U.S. maritime industry.

#### MISCELLANEOUS PROVISIONS

##### SECTION 23--ANNUAL NORTH ATLANTIC TREATY ORGANIZATION REPORT

This section amends chapter 3 of part III of this act, relating to miscellaneous provisions by adding a new section 659 to the act, requiring specified reports before January 15 of each year from the Secretaries of State and Defense on expenditures by the United States on behalf of its participation in NATO.

Subsection (a) requires a report on the direct, indirect and unallocated costs to the United States of participation in NATO for the past, the current and the immediately following fiscal year along with an estimate of the impact of the expenditures on United States balance of payments after consideration for any offset arrangements. Each such cost is required to be identified by reference to the act of Congress that authorized and appropriated the funds.

Subsection (b) defines the meaning of the terms direct, indirect, and unallocated costs.

Subsection (c) provides that all information included in the report be public information unless it is required to be kept secret in the interest of national defense.

The provision requiring an annual report from the Secretaries of Defense and State on the costs of U.S. participation in the North Atlantic Treaty Organization was suggested by a recent report of the General Accounting Office which noted that NATO costs for the United States were distributed in many different appropriations bills. This circumstance makes it difficult, the GAO noted, for the Congress and its committees to determine the total costs of U.S. participation in NATO.

The committee believes that this provision will correct the deficiency in information available to the Congress.

##### SECTION 24--INDOCHINA POSTWAR RECONSTRUCTION

This section adds a new part to the act to provide for reconstruction of the war torn countries of Indochina. The new part contains 5 sections.

###### *Section 801--Statement of policy*

This section states that the purpose of this part of the act is to (1) authorize immediate humanitarian relief assistance to the people of South Vietnam, Cambodia, and Laos and (2) to assist the people of those countries to return to a normal peacetime existence. In this effort, U.S. bilateral assistance should focus on the sectors of food, nutrition, health, population planning, education, and human resource development. Such assistance should be channeled to the maximum extent possible through the private agencies, particularly those voluntary organizations which already have ties in the area.

The committee rewrote the policy statement suggested by the executive branch because it was felt that future U.S. assistance in Indochina should emphasize humanitarian programs administered on a people-to-people basis. The inclusion of the sectoral approach conforms this part of the act to the precepts of the reforms in bilateral assistance made elsewhere in the act.

***Section 821—General authority***

This section authorizes the President to furnish assistance for the relief and reconstruction of South Vietnam, Cambodia, and Laos with special emphasis on humanitarian assistance to refugees, civilian war casualties, and other persons disadvantaged by the war. This assistance may be furnished on a loan, grant, or other basis. Section 821 further stipulates that no assistance shall be furnished to South Vietnam under this general authority unless the President receives satisfactory assurances that such assistance or local currency generated by such assistance will not be used for support to police or for prison construction and administration within South Vietnam.

The committee feels that the first tasks are those of dealing with the direct and immediate consequences of the war. The most urgent of these is to provide temporary sustenance, food, shelter, and medical care for refugees and other victims of the war until they can resume normal and productive lives. Such emergency relief programs have been going on for some years amidst the fighting. They must continue for some time to come but now the emphasis can shift to resettlement. There are other problems on the human side as well. Those wounded in war, both military and civilian, need further help, as do orphans and other children of families torn apart. Although much attention has been given to emergency medical care during the years of war, major medical rehabilitation, education, and training of these direct victims of the war still require significant efforts.

In authorizing assistance for humanitarian relief and reconstruction, the committee contemplates that a full range of assistance mechanisms, including project, program, and technical assistance, may be utilized, and that such assistance may be furnished directly by the United States or, to the maximum extent possible, through private, regional, multilateral, or international organizations. The committee recognizes that regional projects funded under this general authority may have benefits for other eligible countries in Southeast Asia, as well as for South Vietnam, Laos, and Cambodia.

By prohibiting the use of U.S. assistance for support to police and for prison construction within South Vietnam, the committee did not intend to forbid the continuation of training of South Vietnamese police officials in the United States. Because the U.S.-based training programs for foreign police officials are designed to impart modern, humanitarian police methods, the committee feels that such training efforts are consistent with the purposes of this act.

With regard to Cambodia, it is the committee's intention that, for the purpose of fulfilling the requirements of section 655(c) of the Foreign Assistance Act, the fiscal year 1974 program figures submitted heretofore to Congress by the executive branch for Cambodia shall constitute a specific authorization.

***Report requested on public safety program***

In recent years, there has been steadily rising public concern, at home and abroad, over the purposes and operations of the programs

conducted by the Office of Public Safety of the Agency for International Development. Since the establishment of the Office of Public Safety, there has been no high level review of the effectiveness of the program. The committee is concerned that rising criticism, whether based on fact or misunderstanding, and failure to properly evaluate the public safety program at a high enough level may adversely affect U.S. relations with other nations. It is, therefore, the committee's request that the President direct that a thorough review be made of the programs of the Office of Public Safety and that, not later than six months after the date of enactment of the Mutual Development and Cooperation Act of 1973, the President submit to the committee a report containing (1) recommendations concerning termination of the public safety program administered by the Agency for International Development and (2) suggested alternative means of achieving such program's objectives through other than direct bilateral U.S. Government assistance.

#### **Section 822--Authorization**

Section 822 provides an authorization for appropriation of \$632 million for fiscal year 1974. This figure does not include any amount for assistance to North Vietnam. The section would also make clear that while this part will be the principal source of funds for economic assistance for Indochina, funds otherwise available for these purposes may also be used. One source of such funds could be the authorities of the Overseas Private Investment Corporation (OPIC) if and when the existing congressional prohibition against OPIC carrying on operations in Southeast Asia is lifted.

#### **Fiscal year 1974 program summary**

The following is a comparison of the fiscal year 1974 reconstruction program to assistance programs for fiscal year 1972 and fiscal year 1973. In the years preceding fiscal year 1974 economic assistance for this area was provided largely from security supporting assistance.

[In millions of dollars]

	Fiscal year 1972 actual	Fiscal year 1973 estimated	Fiscal year 1974 proposed
South Vietnam.....	385.0	313.0	475.0
Cambodia.....	37.1	68.0	75.0
Laos.....	47.3	45.0	55.0
Regional development program.....	.3	2.4	9.0
Interregional support costs.....	12.3	16.3	16.9
Total.....	482.0	444.7	630.9

The committee hopes that an effective cease-fire can be achieved throughout Indochina which will bring a long and bitter chapter to a close. The peoples of Indochina can then turn toward reconstruction and peaceful development of their countries. While the cease-fire is not yet fully effective and peace is not fully in hand, economic assistance from the United States is an essential component in the successful transition from war to peace. Therefore the committee has approved the full request of the administration for funds to begin humanitarian rehabilitation programs and related development activities.

**Vietnam**

Within the context of the statement of policy and the general authority set forth in this part of the Act, the committee envisions the goals of U.S. assistance to South Vietnam as follows:

To assist the Government of Vietnam in caring for refugees and other war victims, including help in resettling these people in their former villages or in other areas where they can make a living;

To assist the Vietnamese in reconstructing vital public and private facilities destroyed in the course of the war;

To help Vietnam develop its economy in a manner which will lead to eventual economic self-sufficiency; and

To help provide sufficient imported resources to sustain the people and the economy of Vietnam at a reasonable level during the transition from war to peace.

In pursuit of those goals, the executive branch has programed the following sums for fiscal year 1974 as compared to the sums provided in fiscal years 1972 and 1973.

PROGRAM SUMMARY  
[In millions of dollars]

	Fiscal year 1972 actual	Fiscal year 1973 estimated	Fiscal year 1974 proposed
Humanitarian assistance.....	15.0	40.0	85.0
Reconstruction-rehabilitation.....			50.0
Development.....	31.0	30.0	48.0
Commercial import program.....	313.0	223.0	275.0
Technical support.....	26.0	20.0	17.0
Total.....	385.0	313.0	475.0

**Cambodia**

Seventy-five million dollars of assistance is programed to enable Cambodia to cope with the serious economic and social dislocations caused by the war while continuing its resistance against the Khmer communist insurgents supported by North Vietnamese troops.

**Commodity import program.**—The principal part of the programed funds (\$46.7 million) will be required for financing essential private sector imports. This import level, including such goods as fertilizer, machinery spare parts, chemical and steel raw material, and foodstuffs, is the minimum necessary to maintain the Cambodian people's already low standard of living. After a cease-fire and a return to relative security, the import composition will shift more toward capital equipment to help restore prewar industrial capacity. Estimated obligations for the commodity import program in fiscal year 1973 are \$45 million.

**Multilateral stabilization program.**—Another important program needed to finance imports of commodities and services not available from U.S. sources is the multilateral stabilization fund for which \$18.3 million is programed.

Under the auspices of the IMF, a multilateral Exchange Support Fund is in its second year of operation. The fund provides support to stabilize the Khmer economy. The fund finances (a) commodities for which Cambodian reserves and earnings are insufficient, and (b) services and commodities required in connection with capital projects or technical assistance. The fund's resources are used in accordance with

rules and procedures established by representatives of the multilateral membership.

At a November 1972 review with other donors and Cambodia for the calendar year 1973, the United States repeated its previous year's intention (subject to authorization and appropriation of funds by Congress) to match the contributions of others. The U.S. contribution for calendar year 1973 is planned to be \$17.5 million, or half of the estimated total of about \$35 million. Other contributions are estimated as follows: Japan, \$7 million; Australia, \$1 million; United Kingdom, \$490,000; Thailand, \$250,000; New Zealand, \$10,000; and Malaysia, \$10,000. The Cambodians will put \$8.7 million into the fund, including proceeds of a special IMF drawing.

#### *Laos*

The cease-fire agreement of February 21, 1973, has provided the basis for the establishment of an economic program directed toward rehabilitation, reconstruction, and development in Laos.

Although the terms of the Lao accord have not yet been fully realized, the level of fighting there is the lowest in Indochina.

Given a modicum of political stability in Laos, the U.S. economic aid program can be redirected from support for a war effort to support of the peace. The permanent resettlement of refugees is an urgent requirement. Reconstruction of facilities damaged by the war must be undertaken. Greater emphasis can be placed on long term development leading to eventual economic self-sufficiency. It will also be necessary to continue the economic stabilization program, but the eventual demobilization of Lao troops should lead to the gradual reduction of the amount of outside aid necessary for this purpose.

With these encouraging developments in mind, the executive branch has proposed the following level of funding for programs in Laos for fiscal year 1974 as compared to the sums provided in the two previous fiscal years.

PROGRAM SUMMARY  
(In millions of dollars)

	Fiscal year 1972 actual	Fiscal year 1973 estimated	Fiscal year 1974 proposed
Humanitarian assistance.....			18.4
Reconstruction.....	29.1	28.9	5.9
Development.....			12.5
Stabilization.....	18.2	16.1	18.2
Total.....	47.3	45.0	55.0

#### *Section 823—Center for Plastic and Reconstructive Surgery in Saigon*

A new section 823 is added to the act which earmarks \$712,000 of funds authorized for Indochina postwar reconstruction for assistance to the Center for Plastic and Reconstructive Surgery in Saigon, Republic of Vietnam.

This is a well-known and highly competent plastic surgery facility with the dual purpose of treating and rehabilitating disfigured Vietnamese children while training Vietnamese doctors in plastic surgery. It is the only facility of its kind in that country.

Founded by Americans and staffed by doctors and nurses of several nations, the Center has received assistance in the past through the

Agency for International Development, but the AID contribution has been reduced in recent years.

During committee hearings on the bill, Dr. Arthur J. Barsky, professor of plastic surgery at the Albert Einstein School of Medicine, New York, and a cofounder of the Center, testified in detail on the work of this medical facility.

The committee believes that the work of the Center deserves sufficient support to permit its continuation and expansion. The \$712,000 will assist in the financing of a third floor addition to the facility which will provide expanded care for general patients and which will be turned into a specialized unit for the treatment of burn cases as Vietnamese staffing becomes available. Both the Center and the proposed burns unit have the active support of the South Vietnamese Ministry of Health.

A similar earmarking provision was approved by both the House and Senate in amending the Foreign Assistance Act in the 92d Congress, but it failed to become law because a House-Senate conference could not settle differences in the foreign aid legislation.

#### ***Section 824—Assistance to South Vietnamese children***

A new section 824 is added to the act which earmarks the use of \$5 million for the specific purpose of providing assistance to children in South Vietnam, who clearly are among the most unfortunate victims of the war.

The funds can be used for two purposes:

First, they can provide for the establishment, expansion and improvement of day care centers, orphanages, hostels, school feeding programs, health and welfare programs, and training programs related to such programs.

Second, the funds may be used to facilitate the adoption by American citizens of orphaned and abandoned children in South Vietnam, especially those fathered by Americans. Of the funds available under the provision, however, not more than 10 percent may be used for adoption assistance.

The committee believes that this form of assistance is a particularly appropriate expression of our Nation's compassion and concern for the thousands of war-disadvantaged Vietnamese children.

#### **SECTION 25—EXPORT DEVELOPMENT CREDIT FUND**

##### ***Section 25(a)—Establishment of Export Development Credit Fund***

Section 25(a) adds a new part to the act (sections 901-909), creating a facility for the purpose of increasing U.S. exports which can advance the development of 1 billion people who live in the lowest income countries of Asia, Africa, and Latin America.

The proposed fund would utilize repayments from outstanding development loans to subsidize the interest rates on export credits to the poorer of the developing countries, thereby aiding U.S. exports and enabling low-income countries to purchase American goods and services needed for their development.

If an average of \$1 billion per year in U.S. exports were facilitated by the Fund, recent experience with the job-creating effects of the Export-Import Bank's regular operations suggests that an estimated additional 80,000 jobs would be created for U.S. workers. The Export-Import Bank calculates that each additional \$12,500 of exports creates one U.S. job.

The committee anticipates that to the fullest extent possible supplier credits under the Export Development Credit Fund will be substituted for development lending as a means of providing needed products to developing countries and introducing American goods to their markets.

### Background

U.S. exports to developing countries as a whole have been rising rapidly in recent years. These exports have increased by some 48 percent in the past 5 years, and their volume of \$16.3 billion in 1972 nearly equaled the total of U.S. exports to the recently enlarged European Community (including the United Kingdom) and Japan.

However, U.S. exports have been declining to the 60 percent of the people living in the category of the lowest income countries (those with per capita GNP below \$200 per year), both in absolute volume of sales and as a share of that market.

U.S. sales to the latter market depend upon U.S. Government financial support for about three-quarters of their financing, as contrasted with the two-fifths support provided to sales to the developing countries with per capita incomes above \$200. Government financing for sales to the lowest income countries with their limited near term repayment capacity consists largely of development loans, other aid and Public Law 480. Only 9 percent comes from the Export-Import Bank.

By contrast, Government financing of sales to the rapidly growing market in countries above the \$200 annual per capita income level consists chiefly of Export-Import Bank support.

As noted in the following chart, the Bank during fiscal year 1972 authorized credits to the poorest countries which amounted to only 10 cents per capita. By contrast its per capita credits to the "emergent" countries was \$12.27, while to poor countries (\$200-\$375 annual per capita income) it was only \$1.55.

CONTEXT OF U.S. EXPORTS

Countries: GNP per capita, 1970 <sup>1</sup>	Rich above \$1,000	Emergent \$1,000 to 500	Poor \$500 to 200	Poorest below \$200
Total population (million) <sup>1</sup>	813.5	182.6	536.4	1,941.2
(Of which Communist)	(317.7)	(31.0)	(1.3)	(871.1)
1970 GNP (billions) <sup>1</sup>	\$1,706.7	\$134.5	\$156.5	\$239.3
(Of which Communist)	(572.7)	(26.7)	(.6)	(128.7)
1972 U.S. exports (billions) <sup>2</sup>	\$35.2 (\$29.4)	\$6.1 (\$5.2)	\$7.0 (\$6.2)	\$1.6 (\$1.8)
As percent of importer GNP <sup>3</sup>	3.0	5.6	4.6	1.4
As percent of importer trade <sup>3,4</sup>	16.2	25.2	25.6	14.8
U.S. Government, fiscal year 1972 commitments (billions)	\$1.9	\$0.9	\$3.2	\$1.3
As percent of calendar year 1972 U.S. exports <sup>5</sup>	5.5	14.2	46.0	81.8
Sources of commitments:				
Eximbank loans and medium term guarantees	1,840	776	1,840	116
AID (including technical assistance)	50	50	905	695
Public Law 480	55	46	490	524
Eximbank authorizations (per capita), fiscal year 1972		\$12.27	\$1.55	\$0.10

<sup>1</sup> IBRD Atlas.

<sup>2</sup> 1971 U.S. exports in brackets.

<sup>3</sup> Excluding Communist countries.

<sup>4</sup> Excluding areas not covered by IMF statistics.

<sup>5</sup> U.S. Government commitments in fiscal year 1972 were only partially disbursed during calendar year 1972, but this table serves as a crude indicator of the degree of relationship between U.S. Government financing commitments and U.S. exports. The percentage figure is somewhat overstated since actual disbursements for exports will be less because these commitment figures include technical services, and actual disbursements frequently fell some degree below the commitment amounts.

Note: U.S. exports to the lowest income countries depend heavily on U.S. Government financing. Most of that financing is through Public Law 480 and AID; very little is by the Export-Import Bank. However the latter is the largest financier of exports to countries in each of the 3 income groups above the lowest.



U.S. exporters are at a growing disadvantage in the market of lowest-income countries since U.S. commodity-tied development loans are declining, and these countries do not have the servicing capacity for a substantial volume of loans on standard Export-Import Bank terms. In many cases, lack of financing on competitive terms, rather than price or quality, explains U.S. inability to compete for this market.

This market of about 1 billion people (excluding Communist areas), whose GNP has been increasing at approximately 5 percent annually, is important at present and promises to grow more important in the future. Europe and Japan apparently believe this and offer vigorous and steadily increasing government financing programs which help develop their markets in these countries.

If the United States wants to avoid further losses and increase its share in this market, there will have to be increased Government financing on terms that compete. Such financing also can advance the development of low-income countries and thereby lead to their further expansion as markets for U.S. exports. The committee intends that most export credits would be on somewhat harder terms than those provided for in section 201 of the act but still appropriate to the developing country's repayment capacity.

The rapid expansion of U.S. exports in the past 10 years to such countries as Mexico, Brazil, Korea, and Taiwan illustrates the potential for increased U.S. exports on commercial terms as those countries progress.

U.S. exports to Taiwan have increased from approximately \$100 million in 1960, 90 percent of which were U.S. aid-financed, to a level of over \$800 million in 1972, very little of which was financed by U.S. credits on concessional terms.

#### U.S. EXPORTS TO TAIWAN, 1968-71

[In millions of dollars]

Commodity	1971	1970	1969	1968
Food and live animals.....	30.6	36.5	24.8	29.6
Beverages and tobacco.....	10.1	9.0	9.0	6.2
Crude materials, inedible, except fuel.....	<sup>1</sup> 141.6	101.1	82.5	89.1
Mineral fuels, lubricants, and related materials.....	2.2	2.4	2.2	2.1
Animal and vegetable oils and fats.....	4.5	5.8	3.2	3.3
Chemicals.....	25.2	29.1	19.7	19.6
Manufactured goods classified chiefly by material.....	25.3	25.8	15.8	17.4
Machinery and transport equipment.....	59.0	122.0	151.3	113.2
Miscellaneous manufactured articles.....	13.1	12.0	10.6	.91
Commodities and transactions, not classified, according to kind.....	1.8	2.5	2.5	2.7

<sup>1</sup> \$60,800,000 soya beans; \$53,200,000 raw cotton.

Source: OECD "Foreign Trade Statistics."

#### Section-by-section explanation:

**Section 901 (General Authority)** establishes a fund, to be known as the "United States Export Development Credit Fund". It authorizes the President to extend credit on terms not easier than the minimum terms specified by law for development lending under part I of the act to facilitate the sale of U.S. goods and services of a developmental character to the lowest income countries. It provides that the fund shall be treated in the same fashion as the Export-Import Bank

for purposes of exclusion from budget totals and exemption from expenditure and outlay limitations, including requirements for transmission of an annual budget and an annual report to the Congress.

**Section 902 (Financing).** In this respect, the fund would follow the Export-Import Bank pattern. Ex-Im is financed outside the budget, primarily through use of borrowing authority, and covers the modest interest differential between the rate at which it borrows and the lower (currently 6 percent) rate at which it lends through income from its capital, currently approximately \$2.5 billion. The fund's operations, to the extent that they would involve use of borrowing authority, would also be financed outside the cash budget of the United States. Both the borrowing of the fund and the availability of repayments on past aid loans would be subject to the annual appropriation process.

The proposed bill provides that the fund may only be used to finance goods that advance development objectives of the assisted countries. Care would be required to prevent low-utility exports from being financed. The fund should have a flexible commodity eligibility test, designed to make certain that its exports support development in the importing country. Beyond that, there may be good reason for the fund to verify that the import and investment policies of the importing country are such that fund-financed exports to that country have a reasonable prospect of being constructively used. Such tests should not lessen the fund's usefulness as a promoter of U.S. exports, since the range of U.S. goods and services helpful to development is very broad and can range from capital goods to individual raw materials and fertilizer.

In order to take these development considerations into account, the fund should have some expertise in the development business. In that connection, the Advisory Committee established by this bill should prove valuable, for wherever the President might locate the fund administratively, the committee would insure that the extensive development experience accumulated by the U.S. Government was brought to bear on its decisions.

Further, development in this context does not mean industrial development through exporting to the United States or competing with U.S. exports. The provisions of sections 201 and 211 dealing with possible adverse effects on the U.S. economy, with special reference to areas of substantial labor surplus, and on the U.S. balance-of-payments position, would apply to the fund. The fund shall not be used to displace production of, or use of, modern equipment and facilities in the United States.

The bill provides that countries with less than \$375 per capita annual GNP are to be the main recipients of the fund. Particular emphasis, the committee believes, should be given to the poorest countries, those with a per capita national product less than \$200 annually.

Although per capita GNP is the best measure we have of poverty, it is not a perfect measure. For that reason, the fund should be administered with some flexibility to take account of all relevant factors, including ability to pay, poverty, and the need for a subsidy to support U.S. exports. It seems clear, however, that the need and the opportunity for the fund is greatest, though not exclusively, in the category of countries with the lowest incomes.

This section authorizes the President, as may be provided in appropriation acts, to borrow up to one-fourth (currently \$5 billion) of Export-Import Bank loan, guaranty, and insurance authority, during

the period from the enactment of this legislation through December 31, 1977, to be used (except for \$500 million of reserves) for the purposes of the fund.

Any difference between the interest the borrowers are to pay to the Fund on export credits extended (at low rates of interest) and the interest the Fund pays on the funds it borrows (at higher rates of interest); which constitutes an "interest subsidy," would be paid from dollar receipts from loans made under foreign assistance legislation.

These repayments on past aid loans are rising (and will peak at \$613 million in 1981 if AID were to make no further development loans) and will average almost \$400 million per year over the next 4 years.

Of these amounts, an annual average of about \$63 million will be available over the next few years from receipts which now go into general receipts of the Treasury, and about \$260 million is, under present law, available for AID loans.

Thus receipts would be sufficient to pay the interest subsidy for 4 years of operations at the rate of \$1 billion of new credits per year while still leaving nearly \$300 million per year for development assistance under the proposed new Mutual Development and Cooperation Act.

Four years would provide ample experience to judge whether the Fund should continue to make new loans.

Receipts from loans made by the Fund, if not needed to pay interest or repay the principal on the Fund's obligations, may be reused for the purposes of the Fund, and all deobligated funds may be reobligated for the purposes of the Fund.

**Section 903 (Lending Ceiling and Termination)** places a lending ceiling on the principal amount of loans by the Fund outstanding at any one time amounting to one-fourth (currently \$5 billion) of the Export-Import Bank loan, guaranty, and insurance ceiling, and authorizes the Fund to operate until December 31, 1977.

**Section 904 (Reports to the Congress)** requires a detailed report on the operations of the Fund to be transmitted to the Congress semi-annually.

**Section 905 (Administration of Fund)** requires the President to establish an advisory committee including the Secretaries of Commerce, Treasury, and State; the President of the Export-Import Bank; and the Administrator of the Mutual Development and Cooperation Agency.

This Fund could be administered in a variety of ways; e.g., by the Export-Import Bank, the Department of Commerce, as an independent fund, or by MDCA. The final decision is left to the President. As has been done with reasonable success for Public Law 480, it would be closely coordinated with interested Government agencies through the Advisory Committee provided for in the bill.

**Section 906 (Provision for Losses)** reserves 10 percent (\$500 million) of the Fund's borrowing authority to cover losses and provides that receipts from loans made under foreign assistance legislation may also be used for that purpose. Any amounts borrowed from the reserve would eventually have to be repaid, and foreign assistance receipts could be used for that purpose. Losses may include loans written off or payments suspended or deferred, or the interest payments required to service funds borrowed in the amount of the loans written off or payments suspended or deferred.

The experience with loans to the poorest countries over the past 20 years suggests that they can and will repay their debts but occasionally need to reschedule repayments when the terms of their debt are too hard. In fact, so-called "bad debts" do not normally result from inability to repay but from an internal political change. For example, two defaults on the books of the Export-Import Bank have resulted from the change of governments in China and Cuba.

Since the Fund will extend terms more commensurate with their ability to pay, and for goods and services of a developmental character which strengthen the borrowers' economies, there should be fewer problems of need for debt relief than if these credits were not available or if they were available only on harder terms.

However, there may be cases where rescheduling is necessary. Rescheduling means the Fund will lose income in the year when rescheduling gives debt relief. Therefore, provision must be made for the Fund to handle such losses. It is proposed that in the event of such income loss, the repayments on previous aid loans be used to cover the losses. In addition it is proposed that a reserve for bad debts be established which would consist of 10 percent of the Fund's authorization to borrow.

**Section 907 (Export-Import Bank Powers)** provides that this part does not limit the powers of the Export-Import Bank.

**Section 908 (Prohibition on Loans for Defense Articles or Services)** prohibits use of the Fund in connection with the sale of defense articles or services and provides that this prohibition may not be waived.

**Section 909 (Definitions)** defines "lowest income countries" as the poorer developing countries with special reference to countries where national product per capita is under \$375 a year.

***Section 25(b)(1)—Exclusions from prohibitions on assistance***

This section amends section 638 of the act, relating to assistance under other legislation, by adding part VI of the act which establishes the Export Development Credit Fund to legislation now excluded from certain restrictions of the act.

Other acts presently excluded from the prohibition against giving assistance are: the Peace Corps Act, as amended; the Mutual Educational and Cultural Exchange Act of 1961, as amended (Hays-Fulbright); and the Export-Import Bank Act of 1945, as amended.

***Section 25(b)(2)—Inspector General, Foreign Assistance***

**Section 624(d)(5)** currently holds the Inspector General responsible for reviewing and inspecting all activities being conducted by AID, assistance under the Latin American Development Act, Peace Corps, military assistance program, OPIC, and Public Law 480.

This section would add the Export Development Credit Fund established in this bill to the Inspector General's responsibility.

**SECTION 26—MEANING OF REFERENCES**

This section assures that the change of the title of the act to "Mutual Development and Cooperation Act of 1973" and of the name of the administering agency to "Mutual Development and Cooperation Agency" will not affect existing or future references to either.

#### SECTION 27—FOREIGN MILITARY SALES

Section 27 amends the Foreign Military Sales Act.

The major objectives of the fiscal year 1974 amendments are as follows:

- (1) To repeal provision of the law relating to the seizure of fishing vessels;
- (2) To extend the repayment period for credit purchases from 10 to 20 years;
- (3) To eliminate the requirement that guarantees be issued only to financial institutions doing business in the United States when banks in the United States are unable to provide fully for such financing;
- (4) To permit the sale of promissory notes generated by previous direct credits extended by the Department of Defense without charge to current appropriations or current aggregate ceiling;
- (5) To permit part of the funds generated by the sale of such promissory notes to be used to satisfy the requirements of section 24(c) that 25 percent of the face value of the credit transaction be set aside in a guarantee reserve with respect to the sale and guarantee of such promissory notes;
- (6) To authorize the appropriation of \$450 million to finance the foreign military credit program;
- (7) To establish an aggregate ceiling of \$760 million on the total amount of foreign military sales credits and guaranties that can be made in fiscal year 1974. Of this amount \$300 million is earmarked for Israel;
- (8) To increase the regional ceiling on credits and guaranties for sales of defense articles and services to Latin American countries from \$100 million to \$150 million in any year and to exclude cash sales from counting against the regional ceiling for Latin America and African countries. The ceiling for military assistance, including credits and guaranties for sales to African countries, would remain at \$40 million per year;
- (9) To remove the reporting requirement of the provisions of section 36(a) of the Foreign Military Sales Act which require semi-annual reports on the export of defense articles on the U.S. Munitions List;
- (10) To bring the terms of the Foreign Military Sales Act into conformity with the amendments made by this bill; and
- (11) To prohibit the sale or grant of sophisticated weapons, including sophisticated aircraft, to any foreign country that has transferred U.S.-furnished defense articles to a third country without prior approval of the President.

##### *Subsection (a)(1)—Seizure of U.S. fishing vessels*

This section deletes subsection (b) in section 3 of chapter 1 of the Foreign Military Sales Act which stipulates that "no sales, credits, or guaranties shall be made or extended under this Act to any country during a period of one year after such country seizes, or takes into custody, or fines an American fishing vessel for engaging in fishing more than twelve miles from the coast of that country."

The committee's decision to repeal this provision of the Foreign Military Sales Act is based on the reasons and evidence set forth in section 17(c) of the report relating to the repeal of section 620(o) of the Foreign Assistance Act.

***Subsection (a)(2)—Eligibility for sophisticated weapons***

This subsection amends section 505(a) of the Mutual Development and Cooperation Act of 1973 and any other provisions of law, relating to eligibility to receive defense articles from the United States. Specifically, the amendment provides that no sophisticated weapons, including sophisticated jet aircraft or spare parts and associated ground equipment for such aircraft, shall be furnished under this or any other act to any foreign country on or after the date that the President determines that such country has violated any agreement it has made in accordance with paragraph (2) of subsection (a) of this section or section 505(a) of the Mutual Development and Cooperation Act of 1973 or any other provision of law requiring similar agreements. The prohibition contained in the preceding sentence shall not apply on or after the date that the President determines that such violation has been corrected and such agreement complied with.

The purpose of this amendment is to strengthen the transfer restrictions in existing law and to help assure that sophisticated weapons, including jet aircraft that might be sold to any Persian Gulf country will not be transferred to any other country. At the first evidence of such a transfer, the flow of sophisticated weapons and spare parts from the United States would be immediately terminated until the country involved has given assurances to the President that such violations will not reoccur and that the weapons have been returned to the country violating the agreement.

***Subsection (b)—Credit terms***

This subsection amends section 23 of the Foreign Military Sales Act, which deals with credit financing of sales of defense articles and services, by extending from 10 to 20 years the length of time for which credit may be extended. The extension of the credit repayment period will permit the U.S. Government added flexibility when justified by the national interest to help facilitate the transitioning of economically less developed countries from grant assistance to credit financing. By increasing the repayment terms to 20 years, countries will be able to finance more of their own security programs and to depend less upon the United States.

***Subsection (c)—Guaranties***

This subsection amends section 24(a) of the Foreign Military Sales Act by eliminating the requirements that guaranties be issued only to financial institutions doing business in the United States. The change will permit the utilization of overseas sources of financing military exports at times when banks in the United States are unable to provide fully for such financing.

***Subsection (d)—Charges against the ceiling***

Subsection d(1) amends section 24(c) of the Foreign Military Sales Act in two respects. The purpose of these amendments is to permit the sale of promissory notes generated by credit extended under section 23 of the Foreign Military Sales Act without additional charge against current appropriations or the current program ceiling as is now required.

The Foreign Military Sales Act as presently written requires that the face value of any sales made in any one fiscal year shall count against both the appropriation and the aggregate ceiling for that year. If that promissory note is sold in a succeeding fiscal year to a private

financial institution with a Department of Defense guaranty, the transaction also counts against the appropriation and aggregate ceiling for that year as well. Thus, if a promissory note were accepted in 1972, it would count against the aggregate ceiling and the appropriation for that year. If this note were sold to a private financial institution in 1973 with a DOD guaranty, it would also count against the aggregate ceiling and the appropriation for credit sales for 1973 as well. Because of this situation the U.S. Government has not sold any promissory notes with a guaranty since the Foreign Military Sales Act became law in 1968. The Department of Defense currently holds \$1,126 million in promissory notes from previous credit transactions.

These changes are intended to facilitate the Treasury Department's debt management functions and would not increase the amount of the foreign military sales credit program.

Subsection (d)(2) is related to amendments contained in subsections (f), (g)(2), (h)(2), and (i)(3) of this section of the bill. These amendments clarify the computation of the 25 percent guaranty reserve established by section 24(c) of the Foreign Military Sales Act in conformity with the practice of the Export-Import Bank.

Heretofore, in contrast with the practice of the Export-Import Bank, the Department of Defense has counted both the principal amount of the guaranteed loan and the interest against the aggregate program ceiling. The provisions of this subsection will enable the Department of Defense to exclude guaranties for interest repayment from counting against the aggregate ceiling. The amendments specify that the principal amount of the loan guaranteed will be charged against the program ceiling and that 25 percent of that principal amount will be charged against the current appropriation for the guaranty reserve.

#### ***Subsection (e)—Authorization***

This subsection amends section 31(a) of the Foreign Military Sales Act by authorizing the appropriation of \$450 million for fiscal year 1974 to carry out the purposes of the act. This amount compares with an appropriation of \$400 million in 1973 pursuant to continuing resolution authority.

#### **FOREIGN MILITARY CREDIT SALES—SUMMARY**

[In thousands of dollars]

	Fiscal year 1972	Fiscal year 1973	Fiscal year 1974
East Asia and Pacific.....	71,550	79,400	127,000
Near East and South Asia.....	395,000	395,500	465,000
Europe.....	21,700	16,100	18,000
Africa.....	61,750	59,000	150,000
Latin America.....			
Total obligational authority.....	550,000	550,000	760,000
Private financing.....	-220,500	-200,000	-313,300
DOD financed.....	329,500	350,000	446,700
Guaranty of private financing.....	55,100	50,000	78,300
Lapsed.....	15,400		
New obligational authority.....	400,000	400,000	525,000

The executive branch requested an authorization of \$525 million for fiscal year 1974. The committee reduced this amount by \$75 million. With the amendments dealing with the guaranty of private financing

and the authority to draw upon the funds that are available in overseas branch of domestically based U.S. banks contained elsewhere in this section, the Department of Defense should be able to obtain additional private financing thus reducing the requirement for the larger appropriation.

**Subsection (f)—Aggregate ceiling**

This subsection amends section 31(b) of the Foreign Military Sales Act by raising the foreign military sales credit ceiling from \$550 million for fiscal year 1972 to \$760 million for fiscal year 1974, of which \$300 million is earmarked for Israel. The purpose of this ceiling is to place a limitation on the total amount of sales of defense articles and services that can be financed during the fiscal year from U.S. Government credits either directly or with a guaranty. Details of the fiscal year 1974 credit and guaranty program are as follows:

**FOREIGN MILITARY CREDIT SALES**

[In thousands of dollars]

	Fiscal year—		
	1972	1973	1974
<b>East Asia and Pacific:</b>			
Republic of China.....	46,000	45,200	65,000
Korea.....	17,000	24,200	25,000
Malaysia.....	8,550	10,000	19,000
Philippines.....			3,000
Thailand.....			15,000
<b>Total.....</b>	<b>71,550</b>	<b>79,400</b>	<b>127,000</b>
<b>Near East and South Asia:</b>			
Greece.....	60,000	58,000	65,000
Israel.....	300,000	307,500	300,000
Jordan.....	10,000		
Lebanon.....	10,000	10,000	5,000
Saudi Arabia.....			20,000
Turkey.....	15,000	20,000	75,000
<b>Total.....</b>	<b>395,000</b>	<b>395,500</b>	<b>465,000</b>
<b>Africa:</b>			
Liberia.....	2,000		
Mali.....	500		
Morocco.....	15,000	9,800	12,000
Tunisia.....	2,200		2,500
Zaire.....	2,000	6,300	3,500
<b>Total.....</b>	<b>21,700</b>	<b>16,100</b>	<b>18,000</b>
<b>Latin America:</b>			
Argentina.....	15,000	11,500	22,500
Bolivia.....			4,000
Brazil.....	20,000	15,000	56,000
Chile.....	10,000	12,400	10,000
Colombia.....	7,250	10,000	15,000
El Salvador.....			500
Guatemala.....		2,600	2,000
Honduras.....			500
Mexico.....			2,500
Peru.....			20,000
Uruguay.....	2,000		2,000
Venezuela.....	7,500	7,500	15,000
<b>Total.....</b>	<b>61,750</b>	<b>59,000</b>	<b>150,000</b>
<b>Worldwide total.....</b>	<b>550,000</b>	<b>550,000</b>	<b>760,000</b>

The committee did not reduce the aggregate ceiling. The Congress desires and the executive branch is trying to move military assistance programs from grant aid to sales. To reduce the ceiling would not be consistent with those objectives.



This section also makes technical amendments to section 31(b) which are explained above in the analysis of subsection (d).

***Subsection (g)—Latin American ceiling***

Subsection (g)(1) amends section 33(a) of the Foreign Military Sales Act by removing cash sales from the ceiling on aggregate military assistance and sales to Latin America. The committee believes that limitations on the furnishing of military assistance and credit should not be applied to cash transactions.

Subsection (g)(2) makes technical amendments to section 33(a) of the Foreign Military Sales Act to bring it into conformity with the amendments explained above in the analysis of subsection (d) relating to the disposition and accounting for the sale of and guarantee of promissory notes.

Subsection (g)(3) amends section 33(a) of the Foreign Military Sales Act by raising the ceiling of the total amount of military assistance and sales to Latin America from \$100 million to \$150 million annually.

This change is designed to enable the United States to be more responsive to legitimate requests, originating in Latin America, for conventional military hardware and spare parts.

Latin America spends less than 3 percent of its gross national product for military purposes. A significant portion of the military equipment owned by the Latin American countries is either worn or obsolete and in need of replacement. In recent years the United States has provided only a small share of replacement military equipment required and purchased abroad by the Latin American governments. In the opinion of the executive branch, the proposed change is consistent with the maintenance of friendly relations with the other nations of this hemisphere. The committee finds the \$150 million ceiling reasonable.

***Subsection (h)—African ceiling***

Subsection (h)(1) amends section 33(b) of the Foreign Military Sales Act by removing cash sales from the ceiling on aggregate military assistance and sales to African countries. There is no increase in the aggregate ceiling.

Subsection (h)(2) makes technical amendments in section 33(b) to bring it into conformity with amendments pertaining to guaranties explained above in the analysis of subsection (c).

***Subsection (i)—Waiver of regional ceilings***

This subsection amends section 33(c) of the Foreign Military Sales Act relating to waiver of the regional ceilings to bring it into conformity with subsections (d), (g) (1) and (2) (relating to guaranties), and (h) (relating to the exclusion of cash sales from the regional ceilings for Latin America and Africa) of this section of the bill.

***Subsection (j)—Annual reports***

This subsection repeals section 36(a) of the Foreign Military Sales Act, which requires the Secretary of State to submit semiannual reports to the Congress of exports of significant defense articles on the U.S. munitions list. Section 657 of the act, which was enacted in 1972 in Public Law 92-226, now requires the submission of annual reports containing all of the information included in the reports previously submitted under section 36(a) of the Foreign Military Sales

Act. The committee fully expects that future reports submitted in compliance with section 657 of the act will include, but not be limited to, full information as to the particular defense article exported, the particular recipient or purchaser, the terms of the export, including its selling price, if any, and such other information as may be appropriate to enable the Congress to evaluate the distribution of U.S. defense articles abroad.

***Subsection (k)—Deposit in guaranty reserve***

This subsection amends section 37(b) of the Foreign Military Sales Act to permit part of the funds generated by the sale of promissory notes to be used to satisfy the requirements of section 24(c) that 25 percent of the face value of all credit transactions be set aside as a guaranty of repayment. Therefore, instead of taking the 25 percent reserve from current appropriations, the reserve guaranty for the promissory notes being sold would be taken from the proceeds of the sale of those notes.

This change is related to the amendments made by subsection (d)(1) and its purpose and effect are explained in the analysis of that subsection.

**SECTION 28—FISHERMEN'S PROTECTIVE ACT OF 1967**

This section repeals section 5 of the Fishermen's Protective Act of 1967 which requires the Secretary of State to make and collect claims against a foreign country as a result of such country's seizure of any U.S. fishing vessel in international waters. Section 5 of that act further requires that in the event that such country should refuse to pay in full any such claim, the Secretary of State shall transfer an amount equal to the unpaid portion of such claim from funds appropriated for assistance to such country to the Fishermen's Protective Fund.

The committee's action in repealing this provision of the Fishermen's Protective Act is based on the reasons and evidence set forth in section 17(c) of the report relating to the repeal of section 620(o) of the Foreign Assistance Act.

**SECTION 29—REVISION OF SOCIAL PROGRESS TRUST FUND AGREEMENT**

The aim of this section is to insure the continuing use of funds authorized for the purposes of the Latin American Development Act of 1960 for social development in the Western Hemisphere.

Following congressional passage and funding of the Latin American Development Act, the United States in 1961 entered into an agreement with the Inter-American Development Bank (IDB) to administer for the United States a Social Progress Trust Fund (SPTF). In subsequent years the IDB loaned virtually all of the funds provided by Congress for the purposes of the Latin American Development Act. Subsequently, the IDB decided to discontinue substantial use of SPTF and, with U.S. approval, has diverted loan repayments to the IDB's Fund for Special Operations. While this use has permitted maintenance of value of the local currencies repaid under SPTF loan agreements, the volume of local currencies flowing into the IDB is expected to substantially exceed the Bank's needs in the years ahead. It is estimated that in the years 1973-82 the availability of local currency funds from the SPTF alone will total \$440 million.

ESTIMATE OF ANNUAL FUND AVAILABILITY FOR PERIOD 1973-82

[In millions of dollars]

Year	SPTF principal repayments	Participation principal repayment	Estimated income	Total
1973	23.3	2.9	13.2	39.4
1974	24.0	3.4	13.2	40.6
1975	24.8	3.7	13.2	41.7
1976	25.3	3.9	13.2	42.4
1977	25.8	5.1	13.2	44.1
1978	25.3	6.6	13.2	45.1
1979	26.1	7.3	13.2	46.6
1980	26.8	7.8	13.2	47.8
1981	27.1	8.0	13.2	48.3
1982	23.8	7.6	13.2	44.6
Total	252.3	56.3	132.0	440.6

*Assets of Social Progress Trust Fund, as of December 31, 1971*

	<i>Millions</i>
Loans outstanding	\$398.3
Dollar funds not disbursed by U.S. Government	18.1
Social Progress Trust Fund holdings of U.S. Government obligations and dollars in cash	1.4
Social Progress Trust Fund holdings of dollar participations in the Fund for Special Operations	35.0
Social Progress Trust Fund holdings of Latin American currencies	19.8
Social Progress Trust Fund holdings of Latin American currency participations in FSO	71.2
Other assets and accrued charges on loans	3.4
Total	547.2

The committee finds that these funds should be utilized more directly for the social development purposes for which they were originally intended, that they are substantially excess to the needs of the IDB, and that use of the funds directly by the United States, particularly through the Inter-American Foundation, can more effectively accomplish the goal of promoting social development in Latin America and the Caribbean.

Section 29 seeks to insure that uncommitted funds remaining in the SPTF as well as all reflows into the SPTF be used, to the extent feasible, to foster hemisphere social development by directing the President to seek an amendment of the original U.S. agreement with the IDB to provide that SPTF funds be made available periodically to:

- (1) The Inter-American Foundation, established by Congress in 1969 specifically to promote social development in Latin America and the Caribbean and, or
- (2) The Department of State for the social development purposes of the Latin American Development Act and, or
- (3) To the United States Treasury for general uses of the Government, with the consent of the Department of State.

The section also specifically permits continuing use of some SPTF funds by the IDB subject only to the provision that to the extent possible the monies be used to benefit the least developed countries belonging to the IDB.

In seeking revision of the Social Progress Trust Fund Agreement, the committee recognizes the need for an orderly and gradual change in the uses of SPTF funds. This section specifies that the transfer and

use of funds should be in proportions agreed to by the United States and the IDB. In addition, the committee recognizes the advisability of continuing to have the IDB act as recipient for all SPTF loan repayments.

The committee, through this section, does not seek to exempt any agency from the normal budget process. It is expected that the Office of Management and Budget will coordinate the use of funds to be transferred by the IDB. The committee intends, however, that funds continue to be used primarily for social development. In 1969, the committee supported establishment of the Inter-American Social Development Institute, now known as the Inter-American Foundation, for just such a purpose. It is the committee's view that, to the extent feasible, the purpose of this section can best be accomplished by transfer of a substantial and gradually increasing proportion of SPTF funds to the Inter-American Foundation to be used for the purposes for which it was established.

While stressing the use of SPTF monies for social development purposes, the committee recognizes that there may be instances in which some of these funds might be appropriately used for the general uses of the Government and thus has provided for the transfer of funds to the Treasury. It is the committee's view, however, that funds should be used for such purposes only when they are excess to the needs of the Inter-American Foundation, the IDB, or the Department of State.

## CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3 of Rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

### THE FOREIGN ASSISTANCE ACT OF 1961

AN ACT To promote the foreign policy security, and general welfare of the United States by assisting peoples of the world in their efforts toward economic development and internal and external security and for other purposes.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That this Act may be cited as **["The Foreign Assistance Act of 1961"]** the "*Mutual Development and Cooperation Act*".

#### PART 1

##### CHAPTER 1—POLICY; *DEVELOPMENT ASSISTANCE AUTHORIZATIONS*

SEC. 101. SHORT TITLE.—\* \* \* [Repealed—1963]

SEC. 102. STATEMENT OF POLICY.—(a) \* \* \*

\* \* \* \* \*

(b) *The Congress further finds and declares that, with the help of United States economic assistance, progress has been made in creating a base for the peaceful advance of the less developed countries. At the same time, the conditions which shaped the United States foreign assistance program in the past have changed. While the United States must continue to seek increased cooperation and mutually beneficial relations with other nations, our relations with the less developed countries must be revised to reflect the new realities. In restructuring our relationships with those countries, the President should place appropriate emphasis on the following criteria:*

(1) *Bilateral development aid should concentrate increasingly on sharing American technical expertise, farm commodities, and industrial goods to meet critical development problems, and less on large-scale capital transfers, which when made should be in association with contributions from other industrialized countries working together in a multilateral framework.*

(2) *Future United States bilateral support for development should focus on critical problems in those functional sectors which affect the lives of the majority of the people in the developing countries: food production, rural development, and nutrition; population planning and health; education, public administration, and human resource development.*

(3) *United States cooperation in development should be carried out to the maximum extent possible through the private sector, particularly those institutions which already have ties in the developing areas, such as educational institutions, cooperatives, credit unions, and voluntary agencies.*

(4) *Development planning must be the responsibility of each sovereign country. United States assistance should be administered in a collaborative style to support the development goals chosen by each country receiving assistance.*

(5) *United States bilateral development assistance should give the highest priority to undertakings submitted by host governments which directly improve the lives of the poorest majority of people and their capacity to participate in the development of their countries.*

(6) *United States development assistance should continue to be available through bilateral channels until it is clear that multilateral channels exist which can do the job with no loss of development momentum.*

(7) *Under the policy guidance of the Secretary of State, the Mutual Development and Cooperation agency should have the responsibility for coordinating all United States development-related activities.*

**SEC. 103. FOOD AND NUTRITION.**—*In order to prevent starvation, hunger, and malnutrition, and to provide basic services to the people living in rural areas and enhance their capacity for self-help, the President is authorized to furnish assistance, on such terms and conditions as he may determine, for agriculture, rural development, and nutrition. There are authorized to be appropriated to the President for the purposes of this section, in addition to funds otherwise available for such purposes, \$300,000,000 for each of the fiscal years 1974 and 1975, which amounts are authorized to remain available until expended.*

**SEC. 104. POPULATION PLANNING AND HEALTH.**—*In order to increase the opportunities and motivation for family planning, to reduce the rate of population growth, to prevent and combat disease, and to help provide health services for the great majority, the President is authorized to furnish assistance on such terms and conditions as he may determine, for population planning and health. There are authorized to be appropriated to the President for the purposes of this section, in addition to funds otherwise available for such purposes, \$150,000,000 for each of the fiscal years 1974 and 1975, which amounts are authorized to remain available until expended.*

**SEC. 105. EDUCATION AND HUMAN RESOURCE DEVELOPMENT.**—*In order to reduce illiteracy, to extend basic education, and to increase manpower training in skills related to development, the President is authorized to furnish assistance on such terms and conditions as he may determine, for education, public administration, and human resource development. There are authorized to be appropriated to the President for the purposes of this section, in addition to funds otherwise available for such purposes, \$115,000,000 for each of the fiscal years 1974 and 1975, which amounts are authorized to remain available until expended.*

**SEC. 106. SELECTED DEVELOPMENT PROBLEMS.**—*The President is authorized to furnish assistance on such terms and conditions as he*

may determine, to help solve economic and social development problems in fields such as transportation and power, industry, urban development, and export development. There are authorized to be appropriated to the President for the purposes of this section, in addition to funds otherwise available for such purposes, \$93,000,000 for each of the fiscal years 1974 and 1975, which amounts are authorized to remain available until expended.

SEC. 107. *SELECTED COUNTRIES AND ORGANIZATIONS.*—The President is authorized to furnish assistance on such terms and conditions as he may determine, in support of the general economy of recipient countries or for development programs conducted by private or international organizations. There are authorized to be appropriated to the President for the purposes of this section, in addition to funds otherwise available for such purposes, \$60,000,000 for each of the fiscal years 1974 and 1975, which amounts are authorized to remain available until expended.

SEC. 108. *APPLICATION OF EXISTING PROVISIONS.*—Assistance under this chapter shall be furnished in accordance with the provisions of title I, II, VI, or X of chapter 2 of this part, and nothing in this chapter shall be construed to make inapplicable the restrictions, criteria, authorities, or other provisions of this or any other Act in accordance with which assistance furnished under this chapter would otherwise have been provided.

SEC. 109. *TRANSFER OF FUNDS.*—Notwithstanding the preceding section, whenever the President determines it to be necessary for the purposes of this chapter, not to exceed 15 per centum of the funds made available for any provision of this chapter may be transferred to, and consolidated with, the funds made available for any other provision of this chapter, and may be used for any of the purposes for which such funds may be used, except that the total in the provision for the benefit of which the transfer is made shall not be increased by more than 25 per centum of the amount of funds made available for such provision.

## CHAPTER 2—DEVELOPMENT ASSISTANCE

### TITLE I—DEVELOPMENT LOAN FUND

SEC. 203. *FISCAL PROVISIONS.*—Dollar receipts from loans made pursuant to this part and from loans made under [the Mutual Security Act of 1954, as amended,] predecessor foreign assistance legislation are authorized to be made available [for the fiscal year 1970, for the fiscal year 1971, for the fiscal year 1972, and for the fiscal year 1973 for use for the purposes of this title, for loans under title VI, and for the purposes of section 232.] for the fiscal years 1974 and 1975 for use for the purposes of chapter 1 of this part and part VI of this Act. Such receipts and other funds made available under this section shall remain available until expended.

TITLE II—TECHNICAL COOPERATION AND DEVELOPMENT GRANTS

SEC. 211. GENERAL AUTHORITY.—(a) \* \* \* If the President finds that assistance proposed to be furnished under this title would have a substantially adverse effect upon the United States economy, or a substantial segment thereof, the assistance shall not be furnished. The authority of this title shall not be used to furnish assistance *directly* to more than forty countries in any fiscal year, except that up to \$600,000 may be used for self-help projects in additional countries during such fiscal year.

\* \* \* \* \*

SEC. 214. AMERICAN SCHOOLS AND HOSPITALS ABROAD.—\* \* \*

\* \* \* \* \*

[(c) There is hereby authorized to be appropriated to the President for the purposes of this section, for the fiscal year 1972, \$30,000,000 and for the fiscal year 1973, \$30,000,000, which amounts are authorized to remain available until expended. Amounts appropriated under this subsection for the fiscal year 1970 shall be available for expenditures solely in accordance with the allocations set forth on pages 25 and 26 of House Report No. 91-611 and on page 23 of Senate Report No. 91-603.]

[(d) There is authorized to be appropriated to the President for the purposes of section 214(b), in addition to funds otherwise available for such purposes, for the fiscal year 1970, \$3,000,000 in foreign currencies which the Secretary of the Treasury determines to be excess to the normal requirements of the United States. Foreign currencies appropriated under this subsection shall be available for expenditure solely in accordance with the allocation set forth on page 23 of Senate Report No. 91-603.]

*(c) To carry out the purposes of this section, there are authorized to be appropriated to the President for the fiscal year 1974, \$20,000,000, and for the fiscal year 1975, \$20,000,000, which amounts are authorized to remain available until expended.*

*(d) There are authorized to be appropriated to the President to carry out the purposes of this section, in addition to funds otherwise available for such purposes, for the fiscal year 1974, \$7,000,000, and for the fiscal year 1975, \$7,000,000, in foreign currencies which the Secretary of the Treasury determines to be excess to the normal requirements of the United States.*

*(e) Amounts appropriated under this section shall not be used to furnish assistance under this section in any fiscal year to more than four institutions in the same country, and not more than one such institution shall be a university and not more than one such institution shall be a hospital.*

\* \* \* \* \*

TITLE III—HOUSING GUARANTIES

SEC. 221. WORLDWIDE HOUSING GUARANTIES.—\* \* \* The total face amount of guaranties issued hereunder, outstanding at any one time,



shall not exceed ~~["\$205,000,000"]~~ \$305,000,000. Such guaranties shall be issued under the conditions set forth in section 222(b) and section 223.

\* \* \* \* \*

SEC. 223. GENERAL PROVISIONS.— \* \* \*

\* \* \* \* \*

(i) The authority of section 221 and section 222 shall continue until June 30, ~~[1974]~~ 1976.

TITLE IV—OVERSEAS PRIVATE INVESTMENT CORPORATION

\* \* \* \* \*

SEC. 233. ORGANIZATION AND MANAGEMENT.—(a) \* \* \*

(b) BOARD OF DIRECTORS.— \* \* \* The Administrator of the ~~[Agency for International Development]~~ *Mutual Development and Cooperation Agency* shall be the Chairman of the Board, ex officio. Six Directors (other than the President of the Corporation, appointed pursuant to subsection (c) who shall also serve as a Director) shall be appointed by the President of the United States, by and with the advice and consent of the Senate, and shall not be officials or employees of the Government of the United States. \* \* \*

\* \* \* \* \*

SEC. 235. ISSUING AUTHORITY, DIRECT INVESTMENT FUND AND RESERVES.—(a) \* \* \*

(4) The authority of section 234 (a) and (b) shall continue until June 30, ~~[1974]~~ 1975.

\* \* \* \* \*

SEC. 239. GENERAL PROVISIONS AND POWERS.—(a) \* \* \*

\* \* \* \* \*

(e) The Auditor-General of the ~~[Agency for International Development]~~ *Mutual Development and Cooperation Agency* \* \* \*

\* \* \* \* \*

SEC. 240. AGRICULTURAL CREDIT AND SELF-HELP COMMUNITY DEVELOPMENT PROJECTS.—(a) \* \* \*

\* \* \* \* \*

(h) The authority of this section shall continue until June 30, ~~[1973]~~ 1975.

\* \* \* \* \*

TITLE VI—ALLIANCE FOR PROGRESS

\* \* \* \* \*

SEC. 252. AUTHORIZATION.—(a) \* \* \*

~~[~~(b) There is hereby authorized to be appropriated to the President for the fiscal year 1969, \$350,000 for grants to carry out pro-

grams and activities of the Partners of the Alliance in accordance with the purposes of this title.】

(b) *There are hereby authorized to be appropriated to the President for the fiscal year 1974, \$968,000, and for the fiscal year 1975, \$968,000, for grants to the National Association of the Partners of the Alliance, Inc. in accordance with the purposes of this title.*

\* \* \* \* \*

#### TITLE X--PROGRAMS RELATING TO POPULATION GROWTH

\* \* \* \* \*

SEC. 292. AUTHORIZATION.--Of the funds provided to carry out the provisions of part I of this Act for each of the fiscal years [1972 and 1973] 1974 and 1975, \$125,000,000 shall be available in each such fiscal year only to carry out the purposes of this title, and, notwithstanding any other provisions of this Act, funds used for such purposes may be used on a loan or grant basis.

\* \* \* \* \*

#### CHAPTER 3--INTERNATIONAL ORGANIZATIONS AND PROGRAMS

SEC. 301. GENERAL AUTHORITY.--(a) \* \* \*

\* \* \* \* \*

(e) (1) *In the case of the United Nations and its affiliated organizations, including the International Atomic Energy Agency, the President shall, acting through the United States representative to such organizations, propose and actively seek the establishment by the governing authorities of such organizations a single professionally qualified group of appropriate size for the purpose of providing an independent and continuous program of selective examination, review, and evaluation of the program and activities of such organizations. Such proposal shall provide that such group shall be established in accordance with such terms of reference as such governing authority may prescribe and that the reports of such group on each examination, review, and evaluation shall be submitted directly to such governing authority for transmittal to the representative of each individual member nation. Such proposal shall further include a statement of auditing and reporting standards, as prepared by the Comptroller General of the United States, for the consideration of the governing authority of the international organization concerned, to assist in formulating terms of reference for such review and evaluation group.*

(2) *In the case of the International Bank for Reconstruction and Development and the Asian Development Bank, the President shall, acting through the United States representative to such organizations, propose and actively seek the establishment by the governing authorities of such organizations professionally qualified groups of appropriate size for the purpose of providing independent and continuous program of selective examination, review, and evaluation of the program and activities of such organizations. Such proposal shall*

*provide that such groups shall be established in accordance with such terms of reference as such governing authorities may prescribe and that the reports of such groups on each examination, review, and evaluation shall be submitted directly to such governing authority for transmittal to the representative of each individual member nation. Such proposal shall further include a statement of auditing and reporting standards, as prepared by the Comptroller General of the United States, for the consideration of the governing authority of the international organization concerned to assist in formulating terms of reference for such review and evaluation groups.*

*(3) Reports received by the United States representatives to these international organizations under this subsection and related information on actions taken as a result of recommendations made therein shall be submitted promptly to the President for transmittal to the Congress and to the Comptroller General. The Comptroller General shall periodically review such reports and related information and shall report simultaneously to the Congress and to the President any suggestions the Comptroller General may deem appropriate concerning auditing and reporting standards followed by such groups, the recommendations made and actions taken as a result of such recommendations.*

SEC. 302. AUTHORIZATION.—(a) There is authorized to be appropriated to the President for grants to carry out the purposes of this chapter, in addition to funds available under any other Act for such purposes, for the fiscal year [1972, \$138,000,000, and for the fiscal year 1973, \$138,000,000] 1974, \$127,800,000 and for the fiscal year 1975, such sums as may be necessary.

(b) (1) \* \* \*

(2) There is authorized to be appropriated to the President for grants for Indus Basin Development, in addition to any other funds available for such purposes, for use in the fiscal year [1972, \$15,000,000, and for use in the fiscal year 1973, \$15,000,000] 1974, \$15,000,000, and for use in the fiscal year 1975, \$15,000,000, which amounts shall remain available until expended. The President shall not exercise any special authority granted to him under section 610(a) or 614(a) of this Act to transfer any amount appropriated under this paragraph to, and to consolidate such amount with, any funds made available under any other provision of this Act.

\* \* \* \* \*

[(d) There is authorized to be appropriated to the President, for the fiscal year 1969, \$1,000,000 for contributions to the United Nations Children's Fund during the calendar year 1969. Funds made available under this subsection shall be in addition to funds available under this or any other Act for such contributions and shall not be taken into account in computing the aggregate amount of United States contributions to such fund for the calendar year 1969.]

*(d) Of the funds provided to carry out the provisions of this chapter for each of the fiscal years 1974 and 1975, \$18,000,000 shall be available in each such fiscal year only for contributions to the United Nations Children's Fund.*

(e) There is authorized to be appropriated [\$1,000,000 for the fiscal year 1972 and \$1,000,000 for the fiscal year 1973] \$2,000,000 for the fiscal year 1974 and \$2,000,000 for the fiscal year 1975, to provide added

contribution to the United Nations Relief and Works Agency for expansion of technical and vocational training of Arab refugees.

\* \* \* \* \*

#### CHAPTER 5—CONTINGENCY FUND

SEC. 451. CONTINGENCY FUND.—(a) There is hereby authorized to be appropriated to the President for the fiscal year ~~1972~~ 1974 not to exceed \$30,000,000, and for the fiscal year ~~1973~~ 1975 not to exceed \$30,000,000, for use by the President for assistance authorized by part I in accordance with the provisions applicable to the furnishing of such assistance, when he determines such use to be important to the national interest ~~]: Provided~~. That, in addition to any other sums available for such purpose, \$15,000,000 of the amount authorized for the fiscal year 1971 may be used only for the purpose of relief, rehabilitation, and reconstruction assistance for the benefit of cyclone, tidal wave, and flood victims in East Pakistan~~]~~. *In addition to the amounts authorized to be appropriated by this subsection, there are authorized to be appropriated such additional amounts as may be required from time to time to provide relief, rehabilitation, and related assistance in the case of extraordinary disaster situations. Amounts appropriated under this subsection are authorized to remain available until expended.*

\* \* \* \* \*

#### CHAPTER 8—INTERNATIONAL NARCOTICS CONTROL

SEC. 481. INTERNATIONAL NARCOTICS CONTROL.—(a) \* \* \*

(b) (1) *No later than forty-five days after the date on which each calendar quarter of each year ends, the President shall transmit to the Speaker of the House of Representatives, and to the Committee on Foreign Relations of the Senate, a report on the programing and obligation, per calendar quarter, of funds under this chapter prior to such date.*

(2) *Not later than forty-five days after the date on which the second calendar quarter of each year ends and not later than forty-five days after the date on which the fourth calendar quarter of each year ends, the President shall transmit to the Speaker of the House of Representatives, and to the Committee on Foreign Relations of the Senate, a complete and detailed semiannual report on the activities and operations carried out under this chapter prior to such date. Such semiannual report shall include, but shall not be limited to—*

(A) *the status of each agreement concluded prior to such date with other countries to carry out the purposes of this chapter; and*

(B) *the aggregate of obligations and expenditures made, and the types and quantity of equipment provided, per calendar quarter, prior to such date—*

(i) *to carry out the purposes of this chapter with respect to each country and each international organization receiving assistance under this chapter, including the cost of United States personnel engaged in carrying out such purposes in*

*each such country and with each such international organization;*

*(ii) to carry out each program conducted under this chapter in each country and by each international organization, including the cost of United States personnel engaged in carrying out each such program; and*

*(iii) for administrative support services within the United States to carry out the purposes of this chapter, including the cost of United States personnel engaged in carrying out such purposes in the United States.*

SEC. 482. AUTHORIZATION.—To carry out the purposes of section 481, there are authorized to be appropriated to the President **[\$42,500,000 for the fiscal year 1973, which amount is authorized to remain available until expended]** **\$50,000,000 for each of the fiscal years 1974 and 1975. Amounts appropriated under this section are authorized to remain available until expended.**

\* \* \* \* \*

#### CHAPTER 10—COOPERATIVE ECONOMIC EXPANSION

SEC. 495. COOPERATIVE ECONOMIC EXPANSION.—*The President is authorized to use up to \$2,000,000 of the funds made available for the purposes of this part in each of the fiscal years 1974 and 1975 to assist friendly countries, especially those in which United States development programs have been concluded or those not receiving assistance under section 211, in the procurement of technical assistance from United States public or private agencies or individuals. Assistance under this chapter shall be for the purpose of (1) encouraging development of natural resources of interest to the United States, (2) encouragement of a climate favorable to mutually profitable trade and development, and (3) stimulation of markets for United States exports. Any funds used for purposes of this section may be provided on a loan or grant basis and may be used notwithstanding any other provision of this Act.*

#### PART II

\* \* \* \* \*

#### CHAPTER 2—MILITARY ASSISTANCE

SEC. 503. GENERAL AUTHORITY.—The President is authorized to furnish military assistance on such terms and conditions as he may determine, to any friendly country or international organization, the assisting of which the President finds will strengthen the security of the United States and promote world peace and which is otherwise eligible to receive such assistance, by—

(a) \* \* \*

\* \* \* \* \*

(d) assigning or detailing members of the Armed Forces of the United States and other personnel of the Department of Defense to perform duties of a noncombatant nature**],** including those related to training or advice**].**

SEC. 504. AUTHORIZATION.--(a) There is authorized to be appropriated to the President to carry out the purposes of this part not to exceed ~~["\$500,000,000"]~~ \$550,000,000 for the fiscal year ~~["1972"]~~ 1974: *Provided*, That funds made available for assistance under this chapter ~~["(other than training in the United States)"]~~ shall not be used to furnish assistance to more than forty countries in any fiscal year: *Provided further*, That none of the funds appropriated pursuant to this subsection shall be used to furnish sophisticated weapons systems, such as missile systems and jet aircraft for military purposes to any underdeveloped country, unless the President determines that the furnishing of such weapons systems is important to the national security of the United States and reports within thirty days each such determination to the Congress. Amounts appropriated under this subsection are authorized to remain available until expended. Amounts appropriated under this subsection shall be available for cost-sharing expenses of United States participation in the military headquarters and related agencies program.

\* \* \* \* \*

SEC. 506. SPECIAL AUTHORITY.--(a) During the fiscal year ~~["1972"]~~ 1974, the President may, if he determines it to be vital to the security of the United States, order defense articles from the stocks of the Department of Defense and defense services for the purposes of part II, subject to subsequent reimbursement therefor from subsequent appropriations available for military assistance. The value of such orders under this subsection in the fiscal year ~~["1972"]~~ 1974 shall not exceed \$300,000,000.

\* \* \* \* \*

~~["SEC. 510. RESTRICTIONS ON TRAINING FOREIGN MILITARY STUDENTS.--The number of foreign military students to be trained in the United States in any fiscal year, out of funds appropriated pursuant to this part, may not exceed a number equal to the number of foreign civilians brought to the United States under the Mutual Educational and Cultural Exchange Act of 1961 in the immediately preceding fiscal year."]~~

\* \* \* \* \*

SEC. 513. MILITARY ASSISTANCE AUTHORIZATIONS FOR ~~["THAILAND.--"]~~ THAILAND, LAOS, AND VIETNAM.--(a) after June 30, 1972, no military assistance shall be furnished by the United States to Thailand directly or through any other foreign country unless that Assistance is authorized under this Act or the Foreign Military Sales Act.

(b) *After June 30, 1974, no military assistance shall be furnished by the United States to Laos or Vietnam directly or through any other foreign country unless that assistance is authorized under this Act or the Foreign Military Sales Act.*

SEC. 514. SPECIAL FOREIGN COUNTRY ACCOUNTS.--(a) Except as otherwise provided in this section, no defense article may be given, and no grant of military assistance may be made, under this Act to a foreign country unless the country agrees--

[(1) to deposit in a special account established by the United States Government the following amounts of currency of that country:

[(A) in the case of any excess defense article to be given to that country, an amount equal to 10 per centum of the fair value of the article, as determined by the Secretary of State, at the time the agreement to give the article to the country is made; and

[(B) in the case of a grant of military assistance to be made to that country, an amount equal to 10 per centum of each such grant; and

[(2) to allow the United States Government to use such amounts from that special account as may be determined, from time to time, by the President to be necessary to pay all official costs of the United States Government payable in the currency of that country, including all costs relating to the financing of international educational and cultural exchange activities in which that country participates under the programs authorized by the Mutual Educational and Cultural Exchange Act of 1961.

[(b) The President may waive any amount of currency of a foreign country required to be deposited under subsection (a) (1) of this section if he determines that the United States Government will be able to pay all of its official costs payable in the currency of that country enumerated under subsection (a) (2) of this section without the deposit of such amount and without having to expend United States dollars to purchase currency of that country to pay such costs.

[(c) The provisions of this section shall not apply in any case in which an excess defense article is given, or a grant of military assistance is made—

[(1) to a foreign country under an agreement with that country which allows the United States Government to operate a military or other similar base in that country in exchange for that article or grant; and

[(2) to South Vietnam, Cambodia, or Laos.

[(d) In no event shall any foreign country be required, under this section to make deposits in a special account aggregating more than \$20,000,000 in any one year.]

\* \* \* \* \*

#### CHAPTER 4—SECURITY SUPPORTING ASSISTANCE

\* \* \* \* \*

SEC. 532. AUTHORIZATION.—There is authorized to be appropriated to the President to carry out the purposes of this chapter [for the fiscal year 1972 not to exceed \$618,000,000, of which not less than \$50,000,000 shall be available solely for Israel] *for the fiscal year 1974 not to exceed \$125,000,000 of which not less than \$50,000,000 shall be available solely for Israel: Provided, That where commodities are furnished on a grant basis under this chapter under arrangements which will result in the accrual of proceeds to the Government of Vietnam from the sale thereof, arrangements should be made to assure that such proceeds will not be budgeted by the Government of Vietnam for economic assistance projects or programs unless the President or his representative has given prior written approval. Amounts appropriated under this section are authorized to remain available until expended. None*

of the funds authorized by this section shall be made available to the Government of Vietnam unless, beginning in January 1971, and quarterly thereafter, the President of the United States shall determine that the accommodation rate of exchange, and the rate of exchange for United States Government purchases of piasters for goods and services, between said Government and the United States is fair to both countries.

\* \* \* \* \*

CHAPTER 5--INTERNATIONAL MILITARY EDUCATION AND TRAINING

SEC. 541. STATEMENT OF PURPOSE.—The purpose of this chapter is to establish an international military education and training program which will—

(1) improve the ability of friendly foreign countries, through effective military education and training programs relating particularly to United States military methods, procedures, and techniques, to utilize their own resources and equipment and systems of United States origin with maximum effectiveness for the maintenance of their defensive strength and internal security, thereby contributing to enhanced professional military capability and to greater self-reliance by the armed forces of such countries;

(2) encourage effective and mutually beneficial relationships and enhance understanding between the United States and friendly foreign countries in order to maintain and foster the environment of international peace and security essential to social, economic, and political progress; and

(3) promote increased understanding by friendly foreign countries of the policies and objectives of the United States in pursuit of the goals of world peace and security.

SEC. 542. GENERAL AUTHORITY.—The President is authorized in furtherance of the purposes of this chapter, to provide military education and training by grant, contract, or otherwise, including—

(1) attendance by military and related civilian personnel of friendly foreign countries at military educational and training facilities in the United States (other than the Service Academies) and abroad;

(2) attendance by military and related civilian personnel of friendly foreign countries in special courses of instruction at schools and institutions of learning or research in the United States and abroad;

(3) observation and orientation visits by foreign military and related civilian personnel to military facilities and related activities in the United States and abroad; and

(4) activities that will otherwise assist and encourage the development and improvement of the military education and training of members of the armed forces and related civilian personnel of friendly foreign countries so as to further the purposes of this chapter, including but not limited to the assignment of noncombatant military training instructors, and the furnishing of training aids, technical, educational and informational publications and media of all kinds.



*SEC. 543. AUTHORIZATION.—To carry out the purposes of this chapter, there are authorized to be appropriated to the President \$30,000,000 for the fiscal year 1974. Amounts appropriated under this section are authorized to remain available until expended.*

*SEC. 544. ANNUAL REPORTS.—The President shall submit no later than December 31 each year a report to the Congress of activities carried on and obligations incurred during the immediately preceding fiscal year in furtherance of the purposes of this chapter. Each such report shall contain a full description of the program and the funds obligated with respect to each country concerning which activities have been carried on in furtherance of the purposes of this chapter.*

### PART III

#### CHAPTER 1—GENERAL PROVISIONS

**SEC. 601. ENCOURAGEMENT OF FREE ENTERPRISE AND PRIVATE PARTICIPATION.—(a) \* \* \***

\* \* \* \* \*

(c) (1) There is hereby established an International Private Investment Advisory Council on Foreign Aid to be composed of such number of leading American business specialists as may be selected, from time to time, by the Administrator of the [Agency for International Development] *Mutual Development and Cooperative Agency* for the purpose of carrying out the provisions of this subsection. The members of the Council shall serve at the pleasure of the Administrator, who shall designate one member to serve as Chairman.

\* \* \* \* \*

**SEC. 620. PROHIBITIONS AGAINST FURNISHING ASSISTANCE.—(a) \* \* \***

\* \* \* \* \*

(e) (1) The President shall suspend assistance to the government of any country to which assistance is provided under this or any other Act when the government of such country or any government agency or subdivision within such country on or after January 1, 1962—

[(A) has nationalized or expropriated or seized ownership or control of property owned by any United States citizen or by any corporation, partnership, or association not less than 50 per centum beneficially owned by United States citizens, or

[(B) has taken steps to repudiate or nullify existing contracts or agreements with any United States citizen or any corporation, partnership, or association not less than 50 per centum beneficially owned by United States citizens, or

[(C) has imposed or enforced discriminatory taxes or other exactions, or restrictive maintenance or operational conditions, or has taken other actions, which have the effect of nationalizing, expropriating, or otherwise seizing ownership or control of property so owned,

and such country, government agency, or government subdivision fails within a reasonable time (not more than six months after such action, or, in the event of a referral to the Foreign Claims Settlement Commission of the United States within such period as provided herein, not more than twenty days after the report of the Commission is received) to take appropriate steps, which may include arbitration, to discharge its obligations under international law toward such citizen or entity, including speedy compensation for such property in convertible foreign exchange, equivalent to the full value thereof, as required by international law, or fails to take steps designed to provide relief from such taxes, exactions, or conditions, as the case may be; and such suspension shall continue until the President is satisfied that appropriate steps are being taken, and no other provision of this Act shall be construed to authorize the President to waive the provisions of this subsection.

【Upon request of the President (within seventy days after such action referred to in subparagraphs (A), (B), or (C) of paragraph (1) of this subsection), the Foreign Claims Settlement Commission of the United States (established pursuant to Reorganization Plan No. 1 of 1954, 68 Stat. 1279) is hereby authorized to evaluate expropriated property, determining the full value of any property nationalized, expropriated, or seized, or subject to discriminatory or other actions as aforesaid, for purposes of this subsection and to render an advisory report to the President within ninety days after such request. Unless authorized by the President, the Commission shall not publish its advisory report except to the citizen or entity owning such property. There is hereby authorized to be appropriated such amount, to remain available until expended, as may be necessary from time to time to enable the Commission to carry out expeditiously its functions under this subsection.】

【(2)】 Notwithstanding any other provision of law, no court in the United States shall decline on the ground of the federal act of state doctrine to make a determination on the merits giving effect to the principles of international law in a case in which a claim of title or other right to property is asserted by any party including a foreign state (or a party claiming through such state) based upon (or traced through) a confiscation or other taking after January 1, 1959, by an act of that state in violation of the principles of international law, including the principles of compensation and the other standards set out in this subsection: *Provided*, That this subparagraph subsection (as in effect before the date of the enactment of the Mutual Development and Cooperation Act of 1973): *Provided*, That this subsection shall not be applicable (1) in any case in which an act of a foreign state is not contrary to international law or with respect to a claim of title or other right to property acquired pursuant to an irrevocable letter of credit of not more than 180 days duration issued in good faith prior to the time of the confiscation or other taking, or (2) in any case with respect to which the President determines that application of the act of state doctrine is required in that particular case by the foreign policy interests of the United States and a suggestion to this effect is filed on his behalf in that case with the court.

\* \* \* \* \*

(n) No loans, credits, guaranties, or grants or other assistance shall be furnished under this or any other Act, and no sales shall be made under the Agricultural Trade Development and Assistance Act of 1954, to any country which sells or furnishes to North Vietnam, or which permits ships or aircraft under its registry to transport to or from North Vietnam, any equipment, materials, or commodities, so long as the regime in North Vietnam gives support to hostilities in South Vietnam, *unless the President finds and reports, within thirty days of such finding, to the Committee on Foreign Relations of the Senate and the Committee on Foreign Affairs of the House that such assistance is in the national interest of the United States.*

[(o) In determining whether or not to furnish assistance under this Act, consideration shall be given to excluding from such assistance any country which hereafter seizes, or imposes any penalty or sanction against, any United States fishing vessel on account of its fishing activities in international waters. The provisions of this subsection shall not be applicable in any case governed by international agreement to which the United States is a party.]

\* \* \* \* \*

#### CHAPTER 2—ADMINISTRATIVE PROVISIONS

\* \* \* \* \*

##### SEC. 622. COORDINATION WITH FOREIGN POLICY.—(a) \* \* \*

(b) The President shall prescribe appropriate procedures to assure coordination among representatives of the United States Government in each country, under the leadership of the Chief of the United States Diplomatic Mission. The Chief of the diplomatic mission shall make sure that recommendations of such representatives pertaining to military assistance (including civic action) *and military education and training* programs are coordinated with political and economic considerations, and his comments shall accompany such recommendations if he so desires.

(c) Under the direction of the President, the Secretary of State shall be responsible for the continuous supervision and general direction of economic [assistance and] *assistance*, military assistance *and military education and training* programs, including but not limited to determining whether there shall be a military assistance (including civic action) *or a military education and training* program for a country and the value thereof, to the end that such programs are effectively integrated both at home and abroad and the foreign policy of the United States is best served thereby.

SEC. 623. THE SECRETARY OF DEFENSE.—(a) In the case of assistance under part II of this Act, the Secretary of Defense shall have primary responsibility for—

- (1) the determination of military end-item requirements;
- (2) the procurement of military equipment in a manner which permits its integration with service programs;
- (3) the supervision of end-item use by the recipient countries;
- (4) the supervision of the training of foreign military *and related civilian* personnel;
- (5) the movement and delivery of military end-items; and

(6) within the Department of Defense, the performance of any other functions with respect to the furnishing of military assistance, *education and training*.

(b) The establishment of priorities in the procurement, delivery, and allocation of military equipment shall be determined by the Secretary of Defense.

SEC. 624. STATUTORY OFFICERS.—(a) \* \* \*

(d) (1) \* \* \*

(5) For the purpose of aiding in carrying out his duties under this Act, the Inspector General, Foreign Assistance, shall have access to all records, reports, audits, reviews, documents, papers, recommendations, or other material of the agencies of the United States Government administering part I or II of this Act and the Latin American Development Act, as amended, the Peace Corps or the Agricultural Trade Development and Assistance Act of 1954, as amended, *The United States Export Development Credit Fund under part VI of this Act*, and part IV of the Foreign Assistance Act of 1969. \* \* \*

\* \* \* \* \*

SEC. 625. EMPLOYMENT OF PERSONNEL.—(a) \* \* \*

\* \* \* \* \*

(k) (1) *In accordance with such regulations as the President may prescribe, the following categories of personnel who serve in the Agency for International Development shall become participants in the Foreign Service Retirement and Disability System:*

(A) *Persons serving under unlimited appointments in employment subject to section 625(d) (2) of this Act as Foreign Service Reserve officers and as Foreign Service staff officers and employees; and*

(B) *A person serving in a position to which he was appointed by the President, whether with or without the advice and consent of the Senate, provided that (1) such person shall have served previously under an unlimited appointment pursuant to said section 625(d) (2) or a comparable provision of predecessor legislation to this Act, and (2) following service specified in proviso (1) such person shall have served continuously with the Agency for International Development or its predecessor agencies only in positions established under the authority of sections 624(a) and 631(b) or comparable provisions of predecessor legislation to this Act.*

(2) *Upon becoming a participant in the Foreign Service Retirement and Disability System, any such officer or employee shall make a special contribution to the Foreign Service Retirement and Disability Fund in accordance with the provisions of section 852 of the Foreign Service Act of 1946, as amended. Thereafter, compulsory contributions will be made with respect to each such participating officer or employee in accordance with the provisions of section 811 of the Foreign Service Act of 1946, as amended.*

(3) *The provisions of section 636 and title VIII of the Foreign Service Act of 1946, as amended, shall apply to participation in the Foreign Service Retirement and Disability System by any such officer or employee.*

(4) *If an officer who became a participant in the Foreign Service Retirement and Disability System under paragraph (1) of this subsection is appointed by the President, by and with the advice and*

*consent of the Senate, or by the President alone, to a position in any Government agency, any United States delegation or mission to any international organization, in any international commission, or in any international body, such officer shall not, by virtue of the acceptance of such an appointment, lose his status as a participant in the system.*

*(5) Any such officer or employee who becomes a participant in the Foreign Service Retirement and Disability System under paragraph (1) of this subsection shall be mandatorily retired (a) at the end of the month in which he reaches age seventy or (b) earlier if, during the third year after the effective date of this subsection, he attains age sixty-four or if he is over age sixty-four; during the fourth year at age sixty-three; during the fifth year at age sixty-two; during the sixth year at age sixty-one; and thereafter at the end of the month in which he reaches age sixty: Provided, That no participant shall be mandatorily retired under this paragraph while serving in a position to which appointed by the President, by and with the advice and consent of the Senate. Any participant who completes a period of authorized service after reaching the mandatory retirement age specified in this paragraph shall be retired at the end of the month in which such service is completed.*

*(6) Whenever the President deems it to be in the public interest, he may extend any participant's service for a period not to exceed five years after the mandatory retirement date of such officer or employee.*

*(7) This subsection shall become effective on the first day of the first month which begins more than one year after the date of its enactment, except that any officer or employee who, before such effective date, meets the requirements for participation in the Foreign Service Retirement and Disability System under paragraph (1) of this subsection may elect to become a participant before the effective date of this subsection. Such officer or employee shall become a participant on the first day of the second month following the date of his application for earlier participation. Any officer or employee who becomes a participant in the system under the provisions of paragraph (1) of this subsection, who is age fifty-seven or over on the effective date of this subsection, may retire voluntarily at any time before mandatory retirement under paragraph (5) of this subsection and receive retirement benefits under section 821 of the Foreign Service Act of 1946, as amended.*

*(8) Any officer or employee who is separated for cause while a participant in the Foreign Service Retirement and Disability System pursuant to this subsection, shall be entitled to benefits in accordance with subsections 637 (b) and (d) of the Foreign Service Act of 1946, as amended. The provisions of section 625(e) of this Act shall apply to participants in lieu of the provisions of sections 633 and 634 of the Foreign Service Act of 1946, as amended.*

\* \* \* \* \*

**SEC. 632. ALLOCATION AND REIMBURSEMENT AMONG AGENCIES.—**

**(a)** The President may allocate or transfer to any agency of the United States Government any part of any funds available for carrying out the purposes of this Act, including any advance to the United States Government by any country or international organization for the procurement of commodities, defense articles, *military education and*

*training*, or services (including defense services). Such funds shall be available for obligation and expenditure for the purposes for which authorized, in accordance with authority granted in this Act or under authority governing the activities of the agencies of the United States Government to which such funds are allocated or transferred.

(b) Any officer of the United States Government carrying out functions under this Act may utilize the services (including defense services) and facilities of, or procure commodities and defense articles, *military education and training* from, any agency of the United States Government as the President shall direct, or with the consent of the head of such agency, and funds allocated pursuant to this subsection to any such agency may be established in separate appropriation accounts on the books of the Treasury.

\* \* \* \*

(c) *Provided*. That such expenditures for commodities, defense articles, *military education and training*, services (including defense services), or facilities procured outside the United States may be accounted for exclusively on such certification as may be prescribed in regulations approved by the Comptroller General of the United States.

\* \* \* \*

SEC. 634. REPORTS AND INFORMATION. \* \* \*

[(f) The Secretary of the Treasury shall transmit to the Speaker of the House of Representatives and to the Committee on Foreign Relations of the Senate semiannual reports showing as of June 30 and December 31 of each year the repayment status of each loan theretofore made under authority of this Act any part of the principal or interest of which remains unpaid on the date of the report.]

(f) *The President shall transmit to the Speaker of the House of Representatives and to the Committee on Foreign Relations of the Senate, a comprehensive report showing, as of June 30 and December 31 of each year, the status of each loan, and each contract of guarantee or insurance, theretofore made under this Act, with respect to which there remains outstanding any unpaid obligation or potential liability; the status of each sale of defense articles or defense services on credit terms, and each contract of guarantee in connection with any such sale, theretofore made under the Foreign Military Sales Act, with respect to which there remains outstanding any unpaid obligation or potential liability; the status of each sale of agriculture commodities on credit terms theretofore made under the Agricultural Trade Development and Assistance Act of 1954, with respect to which there remains outstanding any unpaid obligation; and the status of each transaction in which a loan, contract of guarantee or insurance, or extension of credit (or participation therein) was theretofore made under the Export-Import Bank Act of 1945, with respect to which there remains outstanding any unpaid obligation or potential liability: Provided, however, That this report shall report individually only those loans, contracts, sales, extensions of credit, or other transactions listed above in excess of \$1,000,000.*

(g) *The President shall transmit to the Speaker of the House of Representatives and to the Committee on Foreign Relations of the Senate, not later than January 31 of each year, a comprehensive report, based upon the latest data available, showing—*

(1) *a summary of the worldwide dimensions of debt-servicing*

*problems among such countries, together with a detailed statement of the debt-servicing problems of each such country;*

*(2) a summary of all forms of debt relief granted by the United States with respect to such countries, together with a detailed statement of the specific debt relief granted with respect to each such country and the purpose for which it was granted;*

*(3) a summary of the worldwide effect of the debt relief granted by the United States on the availability of funds, authority, or other resources of the United States to make any such loan, sale, contract of guarantee or insurance, or extension of credit, together with a detailed statement of the effect of such debt relief with respect to each such country; and*

*(4) a summary of the net aid flow from the United States to such countries, taking into consideration the debt relief granted by the United States, together with a detailed analysis of such net aid flow with respect to each such country.*

\* \* \* \* \*

SEC. 635. GENERAL AUTHORITIES.—(a) \* \* \*

\* \* \* \* \*

SEC. 636. PROVISIONS ON USES OF FUNDS.—(a) \* \* \*

\* \* \* \* \*

(g) Funds made available for the purposes of part II shall be available for—

(1) administrative, extraordinary (not to exceed \$300,000 in any fiscal year), and operating expenses incurred in furnishing defense articles, *military education and training* and defense services on a grant or sales basis by the agency primarily responsible for administering part II;

(2) reimbursement of actual expenses of military officers detailed or assigned as tour directors in connection with orientation visits of foreign military *and related civilian* personnel, in accordance with the provisions of section 5702(c) of title 5 of the United States Code, applicable to civilian officers and employees; and

(3) maintenance, repair, alteration, and furnishing of United States-owned facilities in the District of Columbia or elsewhere for the training of foreign military personnel, without regard to the provisions of section 3733 of the Revised Statutes (41 U.S.C. 12) or other provision of law requiring a specific authorization or specific appropriation for such public contracts.

\* \* \* \* \*

SEC. 637. ADMINISTRATIVE EXPENSES.—(a) There is hereby authorized to be appropriated to the President [for the fiscal year 1972, \$50,000,000 and for the fiscal year 1973, \$50,000,000.] *for the fiscal year 1974, \$53,100,000, and for the fiscal year 1975, \$53,100,000* for necessary administrative expenses of the agency primarily responsible for administering part I. The agency administering part I shall reduce the number of personnel particularly administrative personnel, employed by it in order to conduct operations with the reduced amount of funds authorized for fiscal year 1969, except that such agency shall not take any action to limit or reduce auditing or training activities of such agency.

(b) There is hereby authorized to be appropriated such amounts as may be necessary from time to time for administrative expenses.

which are incurred for functions of the Department of State under this Act and unrepealed provisions of the Mutual Security Act of 1954, as amended, or for normal functions of the Department of State which relate to such functions.

**SEC. 638. PEACE CORPS ASSISTANCE.**—No provision of this Act shall be construed to prohibit assistance to any country pursuant to the Peace Corps Act, as amended; the Mutual Educational and Cultural Exchange Act of 1961, as amended, or the Export-Import Bank Act of 1945, as amended; or under part VI of this Act.

**[SEC. 639. FAMINE AND DISASTER RELIEF.**—No provision of this Act shall be construed to prohibit assistance to any country for famine or disaster relief.]

**SEC. 639. FAMINE AND DISASTER RELIEF.**—*Notwithstanding the provisions of this or any other Act, the President is authorized to furnish famine or disaster relief or rehabilitation or related assistance abroad on such terms and conditions as he may determine.*

**SEC. 639A. FAMINE AND DISASTER RELIEF TO THE AFRICAN SAHEL.**—*(a) The Congress affirms the response of the United States Government in providing famine and disaster relief and related assistance in connection with the drought in the Sahelian nations of Africa.*

*(b) Notwithstanding any prohibitions or restrictions contained in this or any other Act, there is authorized to be appropriated to the President, in addition to funds otherwise available for such purposes, \$30,000,000 to remain available until expended, for use by the President, under such terms and conditions as he may determine, for emergency and recovery needs, including drought, famine, and disaster relief, and rehabilitation and related assistance, for the drought-stricken Sahelian nations of Africa.*

**SEC. 639B. AFRICAN SAHEL DEVELOPMENT PROGRAM.**—*The Congress supports the initiative of the United States Government in undertaking consultations and planning with the countries concerned, with other nations providing assistance, with the United Nations, and with other concerned international and regional organizations, toward the development and support of a comprehensive long-term African Sahel development program.*

\* \* \* \* \*

**SEC. 640B. COORDINATION.**—*(a) The President shall establish a system for coordination of United States policies and programs which affect United States interests in the development of low-income countries. To that end, the President shall establish a Development Coordination Committee which shall advise him with respect to coordination of United States policies and programs affecting the development of the developing countries, including programs of bilateral and multilateral development assistance. The Committee shall include the Administrator, Mutual Development and Cooperation Agency, Chairman; and representatives of the Departments of State, Treasury, Commerce, Agriculture, and Labor, the Executive Office of the President, and other executive departments and agencies, as the President shall designate.*

*(b) The President shall prescribe appropriate procedures to assure coordination among the various departments and agencies of the*



*United States Government having representatives in diplomatic missions abroad.*

(c) *Programs authorized by this Act shall be undertaken with the foreign policy guidance of the Secretary of State.*

(d) *The President shall report to the Congress during the first quarter of each calendar year on United States actions affecting the development of the low-income countries and on the impact of those undertakings upon the national income, employment, wages and working conditions in the United States.*

SEC. 640C. SHIPPIN DIFFERENTIAL.—*For the purpose of facilitating implementation of section 901(b) of the Merchant Marine Act, 1936 (49 Stat. 1985; 46 U.S.C. 1241(b)), funds made available for the purposes of chapter 1 of part I and part VI may be used to make grants to recipients under this part to pay all or any portion of such differential as is determined by the Secretary of Commerce to exist between United States and foreign-flag vessel charter or freight rates. Grants made under this section shall be paid with United States-owned foreign currencies wherever feasible.*

#### CHAPTER 3—MISCELLANEOUS PROVISIONS

\* \* \* \* \*

SEC. 644. DEFINITIONS.—As used in this Act—

(a) \* \* \*

\* \* \* \* \*

(f) "Defense service" includes any service, test, inspection, repair, [training,] publication, or technical or other assistance [,] or defense information used for the purposes of furnishing military [assistance. "Training" includes formal or informal instruction of foreign students in the United States or overseas by officers or employees of the United States, contract technicians, contractors (including instruction at civilian institutions), or by correspondence courses, technical, educational, or information publications and media of all kinds, training aid, orientation, training exercise, and military advice to foreign military units and forces.] assistance, but shall not include military educational and training activities under chapter 5 of part II.

\* \* \* \* \*

(n) "Military education and training" includes formal or informal instruction of foreign students in the United States or overseas by officers or employees of the United States, contract technicians, contractors (including instruction at civilian institutions), or by correspondence courses, technical, educational, or information publications and media of all kinds, training aids, orientation, and military advice to foreign military units and forces.

\* \* \* \* \*

SEC. 659. ANNUAL NORTH ATLANTIC TREATY MILITARY ORGANIZATION REPORT.—(a) *The Secretary of Defense and the Secretary of*

*State shall submit to the Speaker of the House of Representatives and to the Committees on Appropriations, Armed Services, and Foreign Relations of the Senate, on or before January 15 of each year a report of—*

*(1) the direct, indirect, and unallocated costs to the United States of participation in the North Atlantic Treaty Organization (hereinafter in this section referred to as the "Organization") for the last fiscal year preceding the fiscal year in which the report is submitted;*

*(2) the estimated direct, indirect, and unallocated costs to the United States of participation in the Organization for the fiscal year in which the report is submitted;*

*(3) the amounts requested from Congress (or estimated to be requested) for the direct, indirect, and unallocated costs to the United States of participation in the Organization for the first fiscal year following the fiscal year in which the report is submitted;*

*(4) the estimated impact of expenditures related to United States participation in the Organization on the United States balance of payments including a detailed description of the offsets to such United States expenditures.*

*For each such direct, indirect, and unallocated costs, the Acts of Congress authorizing such cost and appropriating funds for such cost shall be listed next to such cost in the report.*

*(b) For the purposes of this section—*

*(1) the term "direct costs" includes funds the United States contributes directly to any budget of the Organization (including the infrastructure program);*

*(2) the term "indirect costs" includes funds the United States spends to assign and maintain United States civilian employees for the Organization, funds spent for Government research and development attributable to the Organization, contributions to the Organization sponsored organizations, and military assistance furnished under part II of this Act, and sales of defense articles or defense services under the Foreign Military Sales Act, to member nations of the Organization; and*

*(3) the term "unallocated costs" includes (i) funds the United States spends to maintain United States Armed Forces committed exclusively or primarily for the Organization in Europe, the United States, or on the open seas, or to remove such Armed Forces from such commitment, and (ii) funds the United States spends on facilities constructed and maintained for such forces.*

*(c) All information contained in any report transmitted under this section shall be public information, except information that the Secretary of Defense or the Secretary of State designates in such report as information required to be kept secret in the interest of the national defense or foreign policy.*

## **PART V**

### **CHAPTER 1.—POLICY**

**SEC. 801. STATEMENT OF POLICY.**—*It is the purpose of this part to*  
*(1) authorize immediate high-priority humanitarian relief assistance*

*to the people of South Vietnam, Cambodia, and Laos, particularly to refugees, orphans, widows, disabled persons, and other war victims, and (2) to assist the people of those countries to return to a normal peacetime existence in conformity with the Agreement on Ending the War and Restoring the Peace in Vietnam, the cease-fire agreement for Laos, and any cease-fire agreement that may be reached in Cambodia. In this effort, United States bilateral assistance should focus on critical problems in those sectors which affect the lives of the majority of the people in Indochina: food, nutrition, health, population planning, education, and human resource development. United States assistance should be carried out to the maximum extent possible through the private sector, particularly those voluntary organizations which already have ties in that region.*

#### CHAPTER 2.—GENERAL AUTHORITY AND AUTHORIZATION

*SEC. 821. GENERAL AUTHORITY.—The President is authorized to furnish, on such terms and conditions as he may determine, assistance for relief and reconstruction of South Vietnam, Cambodia, and Laos, including especially humanitarian assistance to refugees, civilian war casualties, and other persons disadvantaged by hostilities or conditions related to those hostilities in South Vietnam, Cambodia, and Laos. No assistance shall be furnished under this section to South Vietnam unless the President receives assurances satisfactory to him that no assistance furnished under this part, and no local currencies generated as a result of assistance furnished under this part, will be used for support to the police or prison construction and administration within South Vietnam.*

*SEC. 822. AUTHORIZATION.—There are authorized to be appropriated to the President to carry out the purposes of this chapter, in addition to funds otherwise available for such purposes, for the fiscal year 1974 not to exceed \$632,000,000, which amount is authorized to remain available until expended.*

*SEC. 823. CENTER FOR PLASTIC AND RECONSTRUCTIVE SURGERY IN SAIGON.—Of the funds appropriated pursuant to section 822 for the fiscal year 1974, not less than \$712,000 shall be available solely for furnishing assistance to the Center for Plastic and Reconstructive Surgery in Saigon.*

*SEC. 824. ASSISTANCE TO SOUTH VIETNAMESE CHILDREN.—(a) It is the sense of the Congress that inadequate provision has been made (1) for the establishment, expansion, and improvement of day care centers, orphanages, hostels, school feeding programs, health and welfare programs, and training related to these programs which are designed for the benefit of South Vietnamese children, disadvantaged by hostilities in Vietnam or conditions related to those hostilities, and (2) for the adoption by United States citizens of South Vietnamese children who are orphaned or abandoned, or whose parents or sole surviving parent, as the case may be, has irrevocably relinquished all parental rights, particularly children fathered by United States citizens.*

*(b) The President is, therefore, authorized to provide assistance, on terms and conditions he considers appropriate, for the purposes*

*described in clauses (1) and (2) of subsection (a) of this section. Of the funds appropriated pursuant to section 822 for fiscal year 1974, \$5,000,000, or its equivalent in local currency, shall be available until expended solely to carry out this section. Not more than 10 percent of the funds made available to carry out this section may be expended for the purposes referred to in clause (2) of subsection (a). Assistance provided under this section shall be furnished, to the maximum extent practicable, under the auspices of and by international agencies or private voluntary agencies.*

#### CHAPTER 3.—CONSTRUCTION WITH OTHER LAWS

**SEC. 831. AUTHORITY.**—*All references to part I, whether heretofore or hereafter enacted, shall be deemed to be references also to this part unless otherwise specifically provided. The authorities available to administer part I of this Act shall be available to administer programs authorized in this part.*

#### PART VI

**SEC. 901. GENERAL AUTHORITY.**—*(a) In the interest of increasing United States exports to the lowest income countries, thereby contributing to high levels of employment and income in the United States and to the establishment and maintenance of long-range, growing export markets, while promoting development of such countries, the President shall establish a fund, to be known as the "United States Export Development Credit Fund", to be used by the President to carry out the authority contained in this part.*

*(b) The President is authorized to provide extensions of credit, upon reasonable assurances of repayment, for the purpose of facilitating the sale to the lowest income countries of United States goods and services which advance mutual development. The provisions of section 201(d) of this Act shall apply to extensions of credit under this part. The authority contained in this part shall be used to extend credit in connection with the sale of goods and services which are of developmental character, with due regard for the objectives stated in section 102(b) of this Act.*

*(c) The receipts and disbursements of the Fund in the discharge of its functions shall be treated for purposes of the budget of the United States Government in the same fashion as the receipts and disbursements of the Export-Import Bank of the United States under section 2(a)(2) of the Export-Import Bank Act of 1945.*

**SEC. 902. FINANCING.**—*(a) As may hereafter be provided in annual appropriation Acts, the President is authorized to borrow from whatever source he deems appropriate, during the period beginning on the date of enactment of this part and ending on December 31, 1977, and to issue and sell such obligations as he determines necessary to carry out the purposes of this part. The aggregate amount of such obligations outstanding at any one time shall not exceed one-fourth of the amount specified in section 7 of the Export-Import Bank Act of 1945 on July 1, 1973. The dates of issuance, the maximum rates of interest, and other terms and conditions of the obligations issued under this*

*subsection will be determined by the Secretary of the Treasury with the approval of the President. Obligations issued under the authority of this section shall be obligations of the Government of the United States of America, and the full faith and credit of the United States of America is hereby pledged to the full payment of principal and interest thereon. For the purpose of any purchase of the obligations issued under this part, the Secretary of the Treasury is authorized to use as a public debt transaction the proceeds from the sale of any securities issued under the Second Liberty Bond Act, as now or hereafter in force, and purpose for which securities may be issued under the Second Liberty Bond Act, as now or hereafter in force, are extended to include any purchases of the obligations issued under this part. The Secretary of the Treasury may, at any time, sell any of the obligations acquired by him under this section. All redemptions, purchases, and sales by the Secretary of such obligations shall be treated as public debt transactions of the United States.*

*(b) Except as otherwise provided in section 906, the amounts borrowed under subsection (a) of this section shall be paid into the Fund and used to carry out the purposes of this part. Any difference between interest to be repaid on export credits made under this part and the interest paid by the Fund on obligations incurred under subsection (a) of this section shall be paid into the Fund out of receipts specified in section 203 of this Act.*

*(c) Receipts from loans made pursuant to this part are authorized to be made available for the purposes of this part. Such receipts and other funds made available for the purposes of this part shall remain available until expended.*

**SEC. 903. LENDING CEILING AND TERMINATION.**—*(a) The United States Export Development Credit Fund shall not have outstanding at any one time loans in an aggregate amount in excess of one-fourth of the amount specified in section 7 of the Export-Import Bank Act of 1945 on July 1, 1973.*

*(b) The United States Export Development Credit Fund shall continue to exercise its functions in connection with and in furtherance of its objects and purposes until the close of business on December 31, 1977, but the provisions of this section shall not be construed as preventing the Fund from acquiring obligations prior to such date which mature subsequent to such date or from assuming prior to such date liability as acceptor of obligations which mature subsequent to such date, or from issuing either prior or subsequent to such date, for purchase by the Secretary of the Treasury or any other purchasers, its obligations which mature subsequent to such date or from continuing as an agency of the United States and exercising any of its functions subsequent to such date for purposes of orderly liquidation, including the administration of its assets and the collection of any obligations held by the Fund.*

**SEC. 904. REPORTS TO THE CONGRESS.**—*The President shall transmit to the Congress semiannually a complete and detailed report of the operations of the United States Export Development Credit Fund. The report shall be as of the close of business on June 30 and December 31 of each year and shall be submitted not later than ninety days thereafter.*

*SEC. 905. ADMINISTRATION OF FUND.—(a) The President shall establish a committee to advise him on the exercise of the functions conferred upon him by this part. The committee shall include the Secretary of Commerce, the Secretary of the Treasury, the Secretary of State, the President of the Export-Import Bank, and the Administrator of the Mutual Development and Cooperation Agency.*

*(b) The authorities available to administer part I of this Act or any portion thereof, shall be available to administer this part.*

*SEC. 906. PROVISIONS FOR LOSSES.—Ten per centum of the amount authorized to be borrowed under subsection 902(a) shall be reserved and may be used to cover any losses incurred on loans extended under this part. Receipts specified in section 203 of this Act may also be paid into the Fund for the purpose of compensating the Fund for any such losses.*

*SEC. 907. EXPORT-IMPORT BANK POWERS.—Nothing in this part shall be construed as a limitation on the powers of the Export-Import Bank of the United States.*

*SEC. 908. PROHIBITION ON LOANS FOR DEFENSE ARTICLES OR SERVICES.—The authority contained in this part shall not be used to extend credit in connection with the sale of defense articles or defense services. This provision may not be waived pursuant to section 614 of this Act or pursuant to any other provision of this or any other Act.*

*SEC. 909. DEFINITIONS.—As used in this part, "lowest-income countries" are those countries which need concessional foreign exchange financing from the United States or other international donors to finance goods and services on terms they can reasonably afford, with particular emphasis on countries in which per capita national product is less than \$375 a year.*

## THE FOREIGN MILITARY SALES ACT

AN ACT To consolidate and revise foreign assistance legislation relating to reimbursable military exports

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as "The Foreign Military Sales Act".*

### Chapter 1—FOREIGN AND NATIONAL SECURITY POLICY OBJECTIVES AND RESTRAINTS

\* \* \* \* \*

SEC. 3. ELIGIBILITY.—(a) \* \* \*

**[**(b) No sales, credits, or guaranties shall be made or extended under this Act to any country during a period of one year after such country seizes, or takes into custody, or fines an American fishing vessel for engaging in fishing more than twelve miles from the coast of that country. The President may waive the provisions of this subsection when he determines it to be important to the security of the United States or he receives reasonable assurances from the country involved that future violations will not occur, and promptly so reports to the Speaker of the House of Representatives and the Committee on

Foreign Relations of the Senate. The provisions of this subsection shall not be applicable in any case governed by any international agreement to which the United States is a party.]

(b) *No sophisticated weapons, including sophisticated jet aircraft or spare parts and associated ground equipment for such aircraft, shall be furnished under this or any other Act to any foreign country on or after the date that the President determines that such country has violated any agreement it has made in accordance with paragraph (2) of subsection (a) of this section or section 505(a) of the Mutual Development and Cooperation Act or any other provision of law requiring similar agreements. The prohibition contained in the preceding sentence shall not apply on or after the date that the President determines that such violation has been corrected and such agreement complied with. Such country shall remain ineligible in accordance with this subsection until such time as the President determines that such violation has ceased, that the country concerned has given assurances satisfactory to the President that such violation will not reoccur, and that, if such violation involved the transfer of sophisticated weapons without the consent of the President, such weapons have been returned to the country concerned.*

\* \* \* \* \*

## Chapter 2—FOREIGN MILITARY SALES AUTHORIZATIONS

\* \* \* \* \*

SEC. 23. CREDIT SALES.—The President is hereby authorized to finance procurements of defense articles and defense services by friendly countries and international organizations on terms of repayment to the United States Government of not less than the value thereof in United States dollars within a period not to exceed [ten] twenty years after the delivery of the defense articles or the rendering of the defense services.

SEC. 24. GUARANTIES.—(a) The President may guarantee any individual, corporation, partnership, or other juridical entity [doing business in the United States] (excluding United States Government agencies) against political and credit risks of nonpayment arising out of their financing of credit sales of defense articles and defense services to friendly countries and international organizations. Fees shall be charged for such guaranties.

\* \* \* \* \*

(c) Funds made available [pursuant to section 31] to carry out this Act shall be obligated in an amount equal to 25 per centum of the principal amount of contractual liability related to any guaranty issued under this section, and all the funds so obligated shall constitute a single reserve for the payment of claims under such guaranties. Any funds so obligated which are deobligated from time to time during any current fiscal year as being in excess of the amount necessary to maintain a fractional reserve of 25 per centum of the principal amount of contractual liability under outstanding guaranties shall be transferred

to the general fund of the Treasury. Any guaranties issued hereunder shall be backed by the full faith and credit of the United States.

### Chapter 3—MILITARY EXPORT CONTROLS

SEC. 31. AUTHORIZATION AND AGGREGATE CEILING ON FOREIGN MILITARY SALES CREDITS.—(a) There is hereby authorized to be appropriated to the President to carry out this Act not to exceed ~~["\$400,000,000"]~~ *\$450,000,000* for the fiscal year ~~[1972]~~ *1974*. Unobligated balances of funds made available pursuant to this section are hereby authorized to be continued available by appropriations legislation to carry out this Act

(b) The aggregate total of credits, or participations in credits, extended pursuant to this Act ~~[(excluding credits covered by guaranties issued pursuant to section 24(b)) and of the face amount of guaranties issued pursuant to sections 24 (a) and (b) shall not exceed \$550,000,000 for the fiscal year 1972, of which amount not less than \$300,000,000 shall be available to Israel only]~~ *and of the principal amount of loans guaranteed pursuant to section 24(a) shall not exceed \$760,000,000 for the fiscal year 1974, of which amount not less than \$300,000,000 shall be available to Israel only.*

\* \* \* \* \*

SEC. 33. REGIONAL CEILINGS ON FOREIGN MILITARY SALES.—(a) The aggregate of the total amount of military assistance pursuant to the Foreign Assistance Act of 1961, as amended, ~~[of cash sales pursuant to sections 21 and 22,] of credits, or participations in credits, financed pursuant to section 23 [(excluding credits covered by guaranties issued pursuant to section 24(b)), of the face amount of contracts of guaranty issued pursuant to sections 24 (a) and (b)]~~ *of the principal amount of loans guaranteed pursuant to section 24(a), and of loans and sales in accordance with section 7307 of title 10, United States Code, shall, excluding training, not exceed [\$100,000,000] \$150,000,000 in each fiscal year for Latin American countries.*

(b) The aggregate of the total amount of military assistance pursuant to the Foreign Assistance Act of 1961, as amended, ~~[of cash sales pursuant to sections 21 and 22,] of credits, or participations in credits, financed pursuant to sections 23 [(excluding credits covered by guaranties issued pursuant to section 24(b)), and of the face amount of contracts of guaranty issued pursuant to sections 24(a) and (b)]~~ *of the principal amount of loans guaranteed pursuant to section 24(a) shall, excluding training, not exceed \$40,000,000 in each fiscal year for African countries.*

(c) The limitations of this section may not be waived pursuant to any authority contained in this or any other Act unless the President finds that overriding requirements of the national security of the United States justify such a waiver and promptly reports such finding to the Congress in writing, together with his reasons for such finding. In any case in which the limitations of this section are waived under the preceding sentence, the report required under such sentence shall set forth, in detail, the ~~[expenditures]~~ *amounts of assistance, credits, guaranties, and ship loans* proposed to be made in excess of the geographical limitation applicable under this section. Notwithstanding the foregoing provisions of this subsection, in no event shall



the aggregate of the total amount of military assistance pursuant to the Foreign Assistance Act of 1961, [of cash sales pursuant to sections 21 and 22,] of credits, or participations in credits, financed pursuant to section 23 [(excluding credits covered by guaranties issued pursuant to section 24(b)), of the face amount of contracts of guaranty issued pursuant to sections 24 (a) and (b)] *of the principal amount of loans guaranteed pursuant to section 24(a), and of loans and sales in accordance with section 7307 of title 10, United States Code, exceed any geographical ceiling applicable under this section by more than an amount equal to 50 per centum of such ceiling.*

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SEC. 36. REPORTS ON COMMERCIAL AND GOVERNMENTAL MILITARY EXPORTS.—[(a) The Secretary of State shall transmit to the Speaker of the House of Representatives and the Committee on Foreign Relations of the Senate semiannual reports of all exports during the preceding six months of significant defense articles on the United States munitions list to any foreign government, international organization, or other foreign recipient or purchaser, by the United States under this Act or any other authority, or by any individual, corporation, partnership, or other association doing business in the United States. Such reports shall include, but not be limited to, full information as to the particular defense articles so exported, the particular recipient or purchaser, the terms of the export, including its selling price, if any, and such other information as may be appropriate to enable the Congress to evaluate the distribution of United States defense articles abroad. In preparing such reports the Secretary of State is authorized to utilize the latest statistics and information available in the various departments and agencies of the Government.]

[(b)](a) There shall be included in the presentation material submitted to the Congress during its consideration of amendments to this Act, or of any Act appropriating funds pursuant to authorizations contained in this Act, annual tables disclosing the dollar value of cash and credit foreign military sales orders, commitments to order, and estimated future orders under this Act and estimates of commercial sales orders and commitments to order received directly from any country or international organization by any individual, corporation, partnership, or other association doing business in the United States. The data reported shall be set forth on a country-by-country basis and shall be summarized on an economically developed country-economically less developed country basis.

[(c)](b) Nothing in this section shall be construed as modifying in any way the provisions of section 414 of the Mutual Security Act of 1954, as amended, relating to munitions control.

SEC. 37. FISCAL PROVISIONS RELATING TO FOREIGN MILITARY SALES CREDITS.—(a) \* \* \*

(b) Amounts received from foreign governments and international organizations as repayments for credits extended pursuant to section 23, amounts received from the disposition of instruments evidencing indebtedness *under section 24(b) (excluding such portion of the sales proceeds as may be required at the time of disposition to be obligated as a reserve for payment of claims under guaranties issued pursuant to section 24(b), which sums are hereby made available for such obligations), and*

other collections (including fees and interest) shall be transferred to the miscellaneous receipts of the Treasury.

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SECTION 5 OF THE FISHERMEN'S PROTECTIVE ACT OF 1967

SEC. 5. (a) The Secretary of State shall—

[(1) immediately notify a foreign country of—

[(A) any reimbursement made by the Secretary of the Treasury under section 3 as a result of the seizure of a vessel of the United States by such country,

[(B) any payment made pursuant to section 7 in connection with such seizure, and

[(2) take such action as he deems appropriate to make and collect claims against such foreign country for the amounts so reimbursed and payments so made.

[(b) If a foreign country fails or refuses to make payment in full on any claim made under subsection (a) (2) of this section within one hundred and twenty days after the date on which such country is notified pursuant to subsection (a) (1) of this section, the Secretary of State shall transfer an amount equal to such unpaid claim or unpaid portion thereof from any funds appropriated by Congress and programmed for the current fiscal year for assistance to the government of such country under the Foreign Assistance Act of 1961 unless the President certifies to the Congress that it is in the national interest not to do so in the particular instance (and if such funds are insufficient to cover such claim, transfer shall be made from any funds so appropriated and programmed for the next and any succeeding fiscal year) to (1) the Fishermen's Protective Fund established pursuant to section 9 if the amount is transferred with respect to an unpaid claim for a reimbursement made under section 3, or (2) the separate account established in the Treasury of the United States pursuant to section 7(c) if the amount is transferred with respect to an unpaid claim for a payment made under section 7(a). Amounts transferred under this section shall not constitute satisfaction of any such claim of the United States against such foreign country.]

### VIEWS OF HON. WAYNE L. HAYS

I am unable to vote for foreign aid this year because of the Presidential impoundment of funds for housing for the elderly, for construction of needed hospitals, and the partial freeze on highway funds. There is no way I can satisfactorily explain to myself or my constituents why I would vote to pour millions and billions of dollars into the pockets of foreigners when these essential facilities cannot be built in the United States.

WAYNE L. HAYS.

### ADDITIONAL VIEWS OF HON. WILLIAM S. BROOMFIELD AND HON. GUY VANDER JAGT

We are in agreement with the thrust of the new approach to economic assistance as approved by the Committee. We believe it is desirable to move to a functional approach with emphasis on food and nutrition, population planning and health, and education and human resources.

The new approach would place less emphasis on large projects involving the transfer of capital, and more on technical assistance to help poor people to help themselves. Greater use would be made of the private sector in providing assistance under the streamlined program.

We believe the action taken by the Committee to reform our economic assistance efforts is a positive step that will result in a more effective program. However, we are deeply concerned over another Committee action—the deep cut made in funds for the military assistance program.

The reduction of \$102 million will, of necessity, cut sharply into the modernization program for the armed forces of South Korea, one of the major recipients of U.S. grant military assistance. The proposed reduction must be considered against the background of sharp reductions in fiscal year 1972 and fiscal year 1973 when the President's requests were cut by one-third. The same situation existed then and the Korean program was reduced by about 40 percent each year.

The result of these successive reductions is that it will be impossible to fulfill the five-year Korean modernization program, which was to give the Republic of Korea the capability of deterring North Korea and, if attacked, to defend itself with a minimum of U.S. assistance.

The strengthening of the Korean forces has been an important element in the Nixon doctrine's objective of placing a larger defense burden on our allies so as to raise the level at which U.S. forces might be called in to fulfill our treaty obligations.

The completion of the modernization of South Korean forces would also enable the United States to complete the withdrawal of its military forces from that country where we still have one division and one

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F-4 wing. However, the cut voted by the Committee—if sustained by the Congress—would have the effect of slowing the pace of our military withdrawal from South Korea.

WILLIAM S. BROOMFIELD.  
GUY VANDER JAGT.

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**MINORITY VIEWS OF HON. H. R. GROSS, HON. EDWARD J. DERWINSKI, HON. VERNON W. THOMSON, AND HON. J. HERBERT BURKE**

It's time to change partners again.

The Agency for International Development (AID) has been the longest running waltz of any of our foreign aid agencies. This bill speeds up the pace of giving with a cha-cha to be called Mutual Development and Cooperation.

To put first things first. The majority would have the House believe that this bill resulted from hearings before the committee. The fact is that it was advanced by a rump group of 26 devotees of foreign aid. Hearings were a pro-forma exercise to justify a measure they had already agreed to.

The verdict was in. It was just a matter of rummaging around to pick up some shreds of evidence to support it.

The only substantive changes made by the committee, acting as a legislative committee under the rules of the House, were to add the pet projects of the proponents.

The end product is this rhetoric-wrapped package of bologna that is cut into sections instead of sliced. It costs only slightly more.

In the words of the AID Administrator the bill "emphasizes the humanitarian aspects of our program." What a surprise to the stalwart supporters of foreign aid who thought all along that that was what we have been doing!

The most far-reaching change made by this bill starts on page 1, line 3, and runs through page 1, line 4. The Foreign Assistance Act is out and the Mutual Development and Cooperation Act is in.

It would have been more meaningful if this had been called the Foreign Assistance Subsidy Act of 1973 and the Years to Come.

There is something for everybody in the bill. If any deserving group is omitted from the subsidy list, it is simply oversight, not deliberate.

Universities and private organizations and contractors, traditionally the "best kept" of the groups, will not suffer under this bill. The only disadvantage they will suffer is that they will have to share more of the bounty with other groups.

Business and banking support is assured through the new Export Development Credit Fund, financed through back-door devices that avoid the appropriations process.

The maritime industry is taken care of with differential payments made out of foreign aid funds.

Cooperatives get a cut as does the housing industry.

Labor blankets everything. A favorite cliché trotted out by proponents is that foreign aid creates jobs. This is an Alice in Wonderland bit of economics. The workers work so they can pay taxes which are used to buy the goods they produce which, in turn, are sent abroad to assure that the workers can continue to work. It's like the old comic

strip of the two families who made their living by taking in each other's laundry.

For some reason only the fishing interests got a setback. The bill repeals several sections of existing law that authorizes punitive measures against countries seizing U.S. fishing vessels.

In their zeal to promote this newly unearthed humanitarianism the sponsors did not bother to examine past shortcomings and failures. It was too time-consuming to inquire how this new thrust would overcome the deficiencies of the old push. There was a lot of spilled verbiage about reaching the people—but no one asked how we are going to do that if the governments and leaders are not agreeable.

We should have learned from experience in Sukarno's Indonesia and Ghana, to name only two instances, that local leaders, no matter how they come to power, control the disbursement of foreign as well as domestic resources. When Ghana became independent, the country had a swollen treasury; when Nkrumah left, the till was empty. His honor was not without profit!

No matter how you try to explain it, nothing in this bill will prevent a repetition of such instances.

As evidence of their noble intentions, proponents lay stress upon programs for food, health, and education—and specific sums are voted for each of these categories. But read on. The next sections cover Selected Development Problems and Selected Countries and Organizations. These are the wild cards in the deck. Finally, no matter what the specific sums determined by the Congress for each of these categories, there is a provision for a 15 percent transfer between categories.

More than a decade ago foreign aid devotees touted the thought that aid was shifting from a grant to a loan basis. Congress voted specific sums that were to be lent abroad. Tantalizing arguments were advanced that some day some of our foreign aid money would come back. A very small "some" of it is coming back. But this bill pushes it right back on the lending circuit. So much for that illusion!

Lending can continue under this bill—but you can bet it will not be much of an item. The \$718 million authorized for development assistance can be used by the President to furnish assistance on such terms and conditions as he may determine. This is another way of saying it will be grants instead of loans.

If any country is foolish enough to borrow, it can do so at the prevailing rates in existing law—2 percent for the first 10 years and 3 percent for the balance of the loan period. The only way an American citizen can borrow today at those rates is to declare himself an independent country and apply for a loan.

This bill is predicated on the assumption that all's right with the United States. With the \$2.8 billion in this bill one would never sense that we are suffering from mounting inflation, a credit squeeze, and a spreading shortage of basic commodities. Notwithstanding massive doses of foreign aid, a quarter of a century of it sees the United States with less prestige and respect abroad than ever before.

It takes more courage than we can muster to support this bill.

H. R. GROSS.  
EDWARD J. DERWINSKI.  
VERNON W. THOMSON.  
J. HERBERT BURKE.

### ADDITIONAL VIEWS OF HON. J. HERBERT BURKE

I voted against reporting our H.R. 9360, the Foreign Aid Bill. I did so, not because I am against Foreign Aid per se, or because I am against giving assistance to those who need help, but I did so because I feel that our Foreign Aid program should be of help primarily to our American taxpayers.

In fact, in retrospect, it would seem to me that the plight of our American taxpayer, and our present economic problems can be partly blamed on our over zealous approach, over the years, that we should give away our natural resources and encourage foreign economic competition whether contrary to our own best interests or not.

The American taxpayer, for too long, has been contributing to Foreign Aid under various Foreign Aid programs on the basis that we had the responsibility to become the world's "Big Daddy." True, we have accomplished some good in many fields, but the good that has been accomplished is in no way equal to the billions of dollars that have been wasted in Foreign Aid under our Foreign Assistance programs since the announcement of the Marshall Plan following World War II.

It is my honest opinion that it is time for the Members of Congress to insist that any Foreign Aid program that we participate in be of direct benefit either to our national security or to our basic foreign economic security. This seems to me in the main to be the principal aim of the Foreign Aid or Foreign Assistance Program of other nations. We no longer can afford the illusion that our country does not have economic problems, nor should we continue to delude ourselves with the erroneous concept that we are the richest country in the world because of our potential gross national product which increases on paper with each inflationary spiral, unless we take into consideration our national debt as well as the amount of American dollars presently in Foreign hands and which we would be unable to redeem if called upon to do so by payment in gold. To sum it up, we can no longer afford such foolish generosity which led to the policy by which we have handed out, in the past, over 200 billion dollars in Foreign Aid and Foreign Assistance under our "giveaway" programs.

Times have changed in America.

Our dollar has been devalued. Taxes are higher. Inflation which has been eroding the purchasing power of the American taxpayers dollar cannot be halted by a simple snap of our finger, or by wishful thinking. We have a severe imbalance with respect to our foreign exports in comparison to our foreign imports.

The blunt truth is that the time has come when we must put our own economic house in order. In addition, we must think of our own economic security and welfare first.

When our own economic problems are solved, then we perhaps can help the rest of the world in keeping with our practice of helping

others to help themselves. In the meantime it seems to me that the time has come when we should call upon the other countries to give away some of their resources which they have accumulated over the past 20 to 40 years because of the beneficence and generosity of the United States of America and the United States taxpayer.

J. HERBERT BURKE.

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